

Declassified Case:  
RD 46642  
Date: 03-26-2019

Screened by NARA (RD-F)  
Date: 03-26-2019  
DOCID: 34308225  
FOIA Case: RD 46642

U. S. Department of Justice

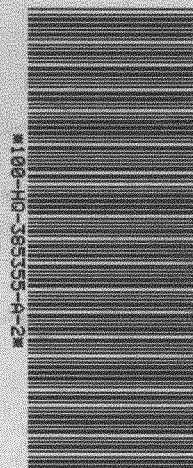
(MATERIAL MUST NOT BE REMOVED FROM OR ADDED TO THIS FILE)

FEDERAL BUREAU

of

INVESTIGATION

PICKETT

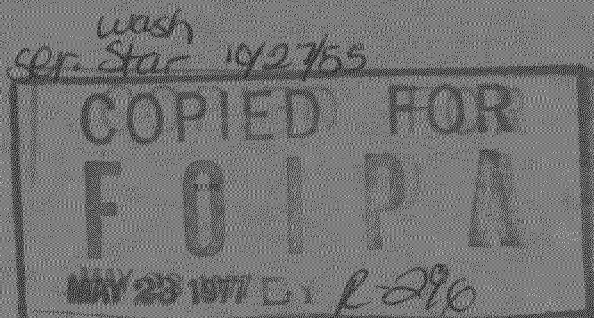


SERIALS AUGUST 1954-

100-HQ-385355-A

SECTION 2

DO NOT  
DESTROY



FOIPA # 393444  
Wash Ser. 10/27/55

USE CARE IN HANDLING THIS FILE

SECTION 2  
AUGUST 1954-

Transfer-Call 421

INDEXED-88

Tolson \_\_\_\_\_  
 Boardman \_\_\_\_\_  
 Nichols \_\_\_\_\_  
 Belmont \_\_\_\_\_  
 Glavin \_\_\_\_\_  
 Harbo \_\_\_\_\_  
 Rosen \_\_\_\_\_  
 Tamm \_\_\_\_\_  
 Tracy \_\_\_\_\_  
 Mohr \_\_\_\_\_  
 Winterrowd \_\_\_\_\_  
 Tele. Room \_\_\_\_\_  
 Holloman \_\_\_\_\_  
 Miss Gandy \_\_\_\_\_

## \$63,000 for Foundations Quiz Yields Only Confusion as Yet

The House committee investigating tax-exempt foundations has run into almost every sort of trouble but its expenses, including salaries of 20 staff employees, also ran into more than \$63,000 from January 1 to June 30.

This became officially known today in an accounting by Representative Reece, Republican, of Tennessee, chairman of the five-member special committee. It showed that the committee, as of July 1, still had \$25,906.11 out of its original appropriation of \$115,000. During the first six months of this year, it spent \$63,506.33 and previously spent \$25,517.56.

Mainly because of explosive exchanges between Democratic

and Republican members on the need for and conduct of the investigation, the committee voted 3-2 last June to discontinue further public hearings. Since then it has been receiving statements from various foundations in reply to criticism by some witnesses at earlier sessions.

The committee staff includes a general counsel, associate counsel, research director, assistant research director, legal analyst, five research assistants, a special expert, chief clerk, as-

sistant clerk, secretary and typist.

Salary payments during the first six months of this year ranged from \$5,823 to several hundred dollars for assistant clerks employed for shorter periods.

General Counsel Rene A. Wormser's salary during the six months, according to the financial statement, was \$5,823. Research Director Norman Dodd received \$5,573. Associate Counsel Arnold T. Koch, \$5,037.66. Assistant Research Director Thomas M. McNiece, \$4,501.98, and Legal Analyst Kathryn Casey, \$3,611.28.

INDEXED-88

NOT RECORDED

141 AUG 12 1954

EX-119

Wash. Post and  
Times Herald \_\_\_\_\_

Wash. News \_\_\_\_\_

Wash. Star \_\_\_\_\_

N. Y. Herald Tribune \_\_\_\_\_

N. Y. Mirror \_\_\_\_\_

Date: 8-5-54

55 AUG 19 1954

ED-88

Tolson \_\_\_\_\_  
 Boardman \_\_\_\_\_  
 Nichols \_\_\_\_\_  
 Belmont \_\_\_\_\_  
 Glavin \_\_\_\_\_  
 Harbo \_\_\_\_\_  
 Rosen \_\_\_\_\_  
 Tamm \_\_\_\_\_  
 Tracy \_\_\_\_\_  
 Mohr \_\_\_\_\_  
 Winterrowd \_\_\_\_\_  
 Tele. Room \_\_\_\_\_  
 Holloman \_\_\_\_\_  
 Miss Gandy \_\_\_\_\_

## Foundation's Protest On Probers' Tactics Wins House Backer

By the Associated Press

A Rockefeller Foundation suggestion that a House investigation of tax-exempt foundations went beyond its announced purpose was followed today by a demand by Representative Howell, Democrat, of New Jersey that the organizations be given an open hearing.

A special House committee recently heard testimony critical of the foundations but ended its open hearings after only one foundation spokesman testified.

The foundations were invited to put written statements into the record and the Rockefeller Foundation did so yesterday—making a sweeping denial of any pro-Communist activity or any violation of antitrust laws.

### Charges Injustice.

Referring to such groups as the Rockefeller and Ford Foundations, Mr. Howell said:

"This denial of a public hearing to those who would have defended the foundations is a shocking example of the injustices practiced by some congressional investigating committees now in business."

The Rockefeller and other foundations were described as financing some subversive causes by witnesses before the special committee headed by Representative Reece, Republican, of Tennessee.

The Rockefeller Foundation and its affiliated General Education Board submitted a 72-page statement by Dean Rusk, president of both groups.

Dr. Rusk hit at what he called "bizarre innuendoes" in testimony before the committee, and suggested the group was overshooting its target and trying to criticize American education and other aspects of the national

life. He urged greater restraint.

The two foundations were established early in this century by the late John D. Rockefeller, Sr., to foster education and research. They have given more than \$819 million in grants to universities and other bodies.

One witness testified he believed the Rockefeller and certain other foundations had violated antitrust laws "and should be prosecuted."

Dr. Rusk replied, "There is no monopoly, no combination, no restraint and no trade."

As for charges of subversive taints, he said "There is no trace of Communist infiltration into either of these foundations." He said the groups "have exercised great care to avoid any such infraction of our tax-exemption privilege."

Mr. Howell, who assailed the methods of the Reece committee, is the Democratic candidate for United States Senator in New Jersey. His G. O. P. opponent, former Representative Clifford P. Case, is a former president of the Ford Foundation's Fund for the Republic.

*Baughman*

*S- Johnston*

INDEXED-88

EX-119

100-385355-A

NOT RECORDED

141 AUG 12 1954

Wash. Post and  
Times Herald \_\_\_\_\_

Wash. News \_\_\_\_\_

Wash. Star \_\_\_\_\_

N. Y. Herald Tribune \_\_\_\_\_

N. Y. Mirror \_\_\_\_\_

Date: 8-5-54

100-385355  
F315  
1 AUG 23 1954



INDEXED-88

Tolson \_\_\_\_\_  
 Boardman \_\_\_\_\_  
 Nichols \_\_\_\_\_  
 Belmont \_\_\_\_\_  
 Glavin \_\_\_\_\_  
 Harbo \_\_\_\_\_  
 Rosen \_\_\_\_\_  
 Tamm \_\_\_\_\_  
 Tracy \_\_\_\_\_  
 Mohr \_\_\_\_\_  
 Winterrowd \_\_\_\_\_  
 Tele. Room \_\_\_\_\_  
 Holloman \_\_\_\_\_  
 Miss Gandy \_\_\_\_\_

4  
 Cox Committee

## Hays Pushes Inquiry Of Facts Forum; New Probes Set in House

Facts Forum, Junto and the Des Moines University of Lawsonomy emerged today as subjects of study in a House investigation of tax-empt foundations.

Representative Hays, Ohio Republican on the special committee, disclosed yesterday he is making a separate analysis of Facts Forum, a research and public information organization financed mainly by a Texas millionaire. He said this seemed to be so "fertile a field" for investigation that he would present his findings in the committee's final report.

Committee Chairman, Reece, Republican of Tennessee, disclosed at the same time in a televised discussion with Mr. Hays that the committee is curious about the tax-exempt status of Junto, a Philadelphia private charitable organization, and the University of Lawsonomy, a movement founded by Alfred Lawson, Detroit inventor, who contends that "suction" is the basic physical law governing the universe.

### Wrangle Tied Up Probe.

Mr. Reece did not say whether the committee is making a detailed examination of Junto and the University of Lawsonomy. But he listed both organizations in declaring that the committee is looking into small as well as large tax-exempt groups.

Mr. Hays and some others have accused the committee not only of being prejudiced in its probe but also of limiting it to large foundations such as Ford, Carnegie and Rockefeller. Hearings earlier this year became so heated that the committee voted, 8-2, to hold no more open sessions. It has been receiving written statements from large foundations criticized by previous witnesses.

Mr. Hays said in the debate on the NBC American Forum of the Air that he opposed suspension of the open hearings. He revealed that he told Mr. Reece that he would absent himself from such hearings so that he would not be considered an "obstructionist."

### Inquiry Not Restricted.

Denying charges that the committee singled out big foundations, Mr. Reece said the Government is investigating several tax-exempt foundations which might be "tax dodgers." Mr. Hays replied it was news to him that the committee was interested in any investigation of Junto and Lawsonomy.

Mr. Reece said the University

of Lawsonomy was denied tax exempt status by the Internal Revenue Service in 1952 but has challenged the decision claiming its activities are exclusively religious, literary and scientific.

Junto, Mr. Reece related, received \$5 million in "windfall" profits from the Levittown Housing Projects in New York and Philadelphia but the Government has received no taxes from it. William J. Levitt, the builder, testified before the Senate Banking Committee recently that the profit was not a "windfall."

*Ben W. Jefferson*  
*Thorn*

INDEXED-88

100-385355-4  
 NOT RECORDED  
 41 AUG 12 1954

EX. - 107

*5-0-1*

Wash. Post and Times Herald \_\_\_\_\_  
 Wash. News \_\_\_\_\_  
 Wash. Star X  
 N. Y. Herald Tribune \_\_\_\_\_  
 N. Y. Mirror \_\_\_\_\_

Date: 8/9/54

*100-385355*  
 AUG 20 1954

Tolson ☒  
 Boardman ☒  
 Nichols ☒  
 Belmont ☒  
 Harbo ☒  
 Mohr ☒  
 Parsons ☒  
 Rosen ☒  
 Tamm ☒  
 Sizoo ☒  
 Winterrowd ☒  
 Tele. Room ☒  
 Holloman ☒  
 Gandy ☒

House Committee To Investigate  
 Tax Exempt Foundations

# WASHINGTON

By ROSCOE DRUMMOND

## What the Reece Committee Proved

WASHINGTON.

This Congress seems to be perpetually having trouble with its investigations.

The methods of the McCarthy investigation have brought bi-partisan demands for corrective reforms.

The Mundt Committee hearings hurt the prestige of the Senate and its investigative process. The committee appears to be busy finding ways to put off the dread day of issuing its report.

And now the Reece Committee inquiry, ostensibly to determine whether the big tax-exempt foundations, such as Carnegie, Rockefeller, Ford, are operating within the terms of their charters and within the law, has blown up in its face.

The committee, having run out of adverse witnesses, is closing down its public hearings without giving the favorable witnesses a public opportunity to reply.

The committee has spread onto the public record the most extravagant accusations, with the words "subversion," "conspiracy," "plot" and "un-American" tossed about with abandon, and is slyly shutting up shop without allowing rebuttal from the same rostrum.

Congress would hale a radio station before the Federal Communications Commission if it refused to give "the other side" equal time and equal facilities.

The "explanation" which Rep. B. Carroll Reece, R., of Ten-



Roscoe Drummond

B. B. B.  
 T. H. H.  
 B. B. B.

5-wet  
 100-385355-A  
 NOT RECORDED  
 191 AUG 6 1954

100-385355

Wash. Post and Times Herald  
 Wash. News  
 Wash. Star  
 N. Y. Herald Tribune 3  
 N. Y. Mirror

Date: JUL 19 1954

6 AUG 9 1954

nessee, the committee chairman, gives for adjourning the public hearings at the point where the foundation witnesses were to testify, is that Rep. Wayne L. Hays, a Democratic committee member from Ohio, engaged in "obstructionist" tactics.

Rep. Hays' "obstructionism" consisted of an unwillingness to take at face value the unproved assertions which came from selected witnesses and staff "experts." One witness thought that Pope Pius' encyclicals were Communistically inclined. Mr. Hays insisted on searching cross-examination, and this seemed an awful offense to Chairman Reece. It was spoiling the whole show and he evidently decided that it was wiser to end the public hearings rather than have their emptiness further exposed.

It is certainly reasonable for the Carnegie Corporation to protest, as it did this past week, against the unfairness of the Reece Committee in denying the foundation the right to reply publicly before the committee to charges made publicly before the committee.

It would be reasonable for the Ford Foundation to demand that the Reece Committee either prove the grave charges of "subversion" and "un-Americanism" it has publicly made against the foundation or publicly acknowledge that they are without basis.

There are understandable exasperations when confronted by such tactics, but what is important is that the philanthropic foundations have won the substance, if not the form, of full exoneration.

Chairman Reece had a scheme to try to show that most of the nation's domestic legislation and

most of its foreign policy (from Roosevelt through Eisenhower) was a "plot" and "conspiracy" by a little group of educators and philanthropists, and the sudden dismantling of the public hearings in mid-gutter is ample confession:

That these meat-ax charges were not being proved to anybody's satisfaction and that the public was quickly on to it.

That the attempt to show that the foundations were engaged in "subversion" and "un-American propaganda" was falling to the ground even before the foundations were invited to reply.

That the committee's technique of broadcasting its conclusions before taking any testimony and then hoping to find some facts to justify them had discredited the investigation.

That editorial opinion across the country—most of it Republican—was at least 90 per cent critical of the Reece Committee and that the committee has scurried to cover.

It would be nice if a majority of the Reece Committee would honestly acknowledge that it has not found evidence to justify its accusations and make public amend to the loyal Americans it has condemned without public hearing. But that may be too much to expect. Public opinion has already seen through the Reece Committee smoke-screen, and Congress has before it another lesson in what happens when it permits irresponsible investigators to misuse the power which the Congress delegates to them.

Copyright, 1954, N. Y. Herald Tribune Inc.

0-20

Mr. Tolson ✓  
 Mr. Boardman ✓  
 Mr. Nichols ✓  
 Mr. Belmont ✓  
 Mr. Harbo \_\_\_\_\_  
 Mr. Mohr \_\_\_\_\_  
 Mr. Parsons \_\_\_\_\_  
 Mr. Rosen \_\_\_\_\_  
 Mr. Tamm \_\_\_\_\_  
 Mr. Sizoo \_\_\_\_\_  
 Mr. Winterrowd \_\_\_\_\_  
 Tele. Room \_\_\_\_\_  
 Mr. Holloman \_\_\_\_\_  
 Miss Gandy \_\_\_\_\_

*6*

*0* Tax Free Foundations

*Wester*

*John B. Gardner*

(FOUNDATIONS)

REP. JACOB K. JAVITS (R-N.Y.) PROPOSED THAT THE HOUSE RULES COMMITTEE INVESTIGATE THE SPECIAL COMMITTEE WHICH WAS SET UP TO INVESTIGATE TAX-EXEMPT FOUNDATIONS.

"IT IS HIGH TIME THAT THE HOUSE OF REPRESENTATIVES ASSERTED ITSELF IN ONE OF THESE INVESTIGATIONS THAT HAS GOTTEN OFF THE TRACK, AS THE BEST ANSWER TO WIDESPREAD LOSS OF PRESTIGE SUFFERED BY BOTH HOUSES OF THE CONGRESS ATTRIBUTABLE TO THE EXCESSES OF CONGRESSIONAL INVESTIGATING COMMITTEES," JAVITS SAID IN A STATEMENT ACCOMPANYING INTRODUCTION OF HIS RESOLUTION.

THE SPECIAL COMMITTEE CREATED TO INVESTIGATE TAX-EXEMPT FOUNDATIONS IS HEADED BY REP. D. CARROLL REECE (R-TENN.). THE COMMITTEE HELD A SERIES OF STORMY HEARINGS AT WHICH IT WAS CHARGED BY SOME WITNESSES THAT THE FOUNDATIONS WERE FOSTERING SOCIALISM IN THIS COUNTRY.

REECE HAS ANNOUNCED THAT HIS COMMITTEE WILL HOLD NO FURTHER PUBLIC HEARINGS. SOME FOUNDATIONS HAVE PROTESTED THAT THIS PLAN WILL DENY THEM THE OPPORTUNITY TO MAKE A PUBLIC ANSWER TO CHARGES MADE AGAINST THEM IN PUBLIC SESSION.

JAVITS' RESOLUTION CALLS ON THE RULES COMMITTEE, WHICH APPROVED THE ORIGINAL RESOLUTION SETTING UP REECE'S COMMITTEE, TO MAKE RECOMMENDATIONS TO THE HOUSE TO DISCONTINUE THE SPECIAL COMMITTEE.

"THE WHOLE INVESTIGATION HAS BEEN CONDUCTED UPON THE THEORY THAT THE FOUNDATIONS HAVE BEEN ENGAGED IN SOME CONSPIRACY TO INFILTRATE SOCIALISM INTO AMERICAN EDUCATIONAL INSTITUTIONS AND SOCIAL LIFE," JAVITS SAID.

7/20--MJ1137A

*239*

*100-385355*

*100-245355-A 5-wct*

NOT RECORDED  
 191 AUG 5 1954

60 AUG 6 1954

WASHINGTON CITY NEWS SERVICE

Tolson ☒  
 Boardman ☒  
 Nichols ☒  
 Belmont ☒  
 Harbo ☒  
 Mohr ☒  
 Parsons ☒  
 Rosen ☒  
 Tamm ☒  
 Sizoo ☒  
 Winterrowd ☒  
 Tele. Room ☒  
 Holloman ☒  
 Gandy ☒

# These Days . . . . . By George Sokolsky

## The Foundations

IT IS NOT generally discussed but one of the reasons for the proliferation of foundations is the tax structure of our country.

Many businesses, whose development cost blood, sweat and tears—to use a phrase—would have to go out of existence or be reduced by the sale of valuable properties, to meet inheritance taxes. To protect the continuity of the property, it is advantageous to give it to a foundation, the heirs working for a salary. They would not be better off if they continued to own the otherwise dissipated property.

Also, when a man has worked hard, used his skill and ingenuity to a maximum, accumulated a property which he cannot hand over to his heirs, he sets up a foundation during his lifetime and uses his surplus for what he believes are good works.

Altogether there are between 6000 and 7000 foundations in the United States, of varying dimensions, with capital resources of 1/2 billion dollars and with annual grants amounting to at least 300 million dollars to a number of causes. The figures are estimates because all the facts about foundations are not known.

TWO COMMITTEES of Congress started investigating



Sokolsky

tions into the nature and operations of foundations with unsatisfactory results. The Cox Committee died on the vine when its chairman, Eugene Cox, became ill and passed on; the Reece Committee, headed by Rep. Carroll Reece, became involved in extraneous matters and its report is still awaited.

Among the things the Reece Committee set out to do was "to define the words: foundation, un-American, subversive, political, and propaganda, in the sense in which they are used in H. Res. 217 and, if possible, dispose of their controversial connotations."

Naturally, in the present atmosphere in Washington, the committee hopped onto this point and bogged down on it because it became involved in hopeless controversy, particularly when a so-called expert was called upon to identify a few sentences from the "Rerum Novarum," I believe, and lacked the common sense to refuse to identify sentences taken out of context without being shown the document from which the sentences were read.

It is an old trick to read

something from the Bible, the Declaration of Independence and the Constitution to support some form of radicalism. To use the "Rerum Novarum" or the "Quadragesimo Anno" to prove that a Pope supported Marxian ideas is nonsense, because no encyclical of any Pope of the Roman Catholic Church ever supported Marxism.

It would seem to be that no worthwhile investigation of the foundations can be made to fit inadequate definitions. If a committee of Congress wants to investigate the foundations, it should first get the facts and then evaluate them from the data, not from a set of definitions.

Copyright, 1954, King Features, Inc.

*Use: Bancroft Track,  
 Philanthropies & Charities  
 Institute to Investigate the  
 Program of Subversion Groups*

100-345355-A-  
 NOT RECORDED

46 AUG 9 1954

Wash. Post and Times Herald

Wash. News

Wash. Star

N. Y. Herald Tribune

N. Y. Mirror

Date: JUL 26 1954

55 AUG 9 1954



# Let the Donor Beware

Embarrassment drove the ~~Reece~~ Committee investigating tax-exempt foundations into hiding; shame ought to drive it entirely out of existence. The committee began by making itself ludicrous; then, having sponsored what Rep. Wayne Hays, a minority member of the group, quite properly called a "fantastic, nonfactual, nonsensical and slanderous attack on the great foundations," it decided to hold future hearings only in executive session, denying the foundations, which had been publicly attacked, any chance to defend themselves in public. The Carnegie Corporation had every right to denounce this conduct as it did the other day as "alien to American standards of justice and obviously unfair and prejudicial."

John Dollard, president of the Carnegie Corporation, pointed out a basic consideration which the committee seems entirely to have ignored—that tax exemption does not give either the foundations, the Government or Congress any right to impose thought control or censorship upon scholars and teachers who receive grants for research and education. Yet censorship seems to be the aim—perhaps the unconscious aim—of Representative Reece and of Senator Pat McCarran, who has persuaded the Senate to adopt a most mischievous amendment to the Internal Revenue Act.

Senator McCarran's amendment would deny tax exemption to any foundation making donations to "subversive" organizations or individuals. This proposal, while superficially justifiable, is dangerous because of its vagueness and the possibility of abuse it would invite. Who is to say what is subversive? The imprecision of Senator McCarran's concept is demonstrated by an additional provision that a foundation shall not lose its tax exemption if it procures in advance of making a donation a sworn statement from the beneficiary "that he is not a subversive individual . . . unless the donor knows or has reasonable opportunity to know that such individual is a subversive individual."

This would require the donor to beware of any person accused of anything at all before the McCarthy Committee or the Un-American Activities Committee or any of their imitators in state legislatures. It would mean that scholarships and study grants and research stipends could no longer be made on the basis of the talents and achievements of individual artists or scientists or writers but on the basis of their conformity to what some would-be censor considered orthodox. If the prescription were taken literally, we should suppose that every foundation-supported public library would be obliged to secure an affidavit of political purity from everyone who wanted to borrow one of its books.

Tolson \_\_\_\_\_  
Boardman \_\_\_\_\_  
Nichols \_\_\_\_\_  
Belmont \_\_\_\_\_  
Harbo \_\_\_\_\_  
Mohr \_\_\_\_\_  
Parsons \_\_\_\_\_  
Rosen \_\_\_\_\_  
Tamm \_\_\_\_\_  
Sizoo \_\_\_\_\_  
Winterrowd \_\_\_\_\_  
Tele. Room \_\_\_\_\_  
Holloman \_\_\_\_\_  
Gandy \_\_\_\_\_

BAUMGARDNER  
1954

INDEXED-16  
RECORDED-16  
100-385355-A

NOT RECORDED  
14 SEP 15 1954

EX-124

Wash. Post and  
Times Herald

Wash. News

Wash. Star

N. Y. Herald Tribune

N. Y. Mirror

Date: JUL 15 1954

60 SEP 20 1954

Mr. Tolson ✓  
 Mr. Boardman ✓  
 Mr. Nichols ✓  
 Mr. Belmont ✓  
 Mr. Harbo ✓  
 Mr. Mohr ✓  
 Mr. Parsons ✓  
 Mr. Rosen ✓  
 Mr. Tamm ✓  
 Mr. Sizoo ✓  
 Mr. Winterrowd ✓  
 Tele. Room ✓  
 Mr. Holloman ✓  
 Miss Gandy ✓

# Pegler

## Concerning Rep. Hays' Conduct During Foundations Hearings

By WESTBROOK PEGLER

I CALL attention to insulting conduct by a member of Congress much more flagrant and abusive than anything charged against Sen. Joe McCarthy. The News York Times, the New York Herald Tribune, the Washington Post, and other papers of the same persuasion have ignored this outrage while they have hounded McCarthy for hounding traitors.

I now have in hand Part One of the hearings of the Reece Committee which investigated tax exempt foundations, containing many insulting and abusive remarks by Congressman Wayne L. Hays, a Democrat, of Ohio. Hays interrupted one witness about 250 times in a three-hour period.

His comments included an insulting intimation that a Roman Catholic nun, Sister Mary Margaret Patricia McCarran, of the College of the Holy Names, of Oakland, Calif., had obtained a degree of Doctor of Philosophy by subterfuge or other unethical means. She is a daughter of the late Sen. Pat McCarran of Nevada.

He also insinuated that there was something irregular or improper in her use of her surname of the title of a book on Fabian Socialism in Britain which she wrote in preparation for her degree at Catholic University.

THE witness in the present instance is Aaron M. Sargent, of San Francisco, testifying on matters in which the House Committee regarded him as an authority. He crossed the continent to give information to the House



Committee in obedience to a subpoena.

Hays heckled Sargent from the very outset and the record is replete with rude remarks. Hays personally acknowledged to me that he had uttered these attacks on the honor of Sister Mary Patricia and Catholic U., but said they were uttered in the heat of debate.

Sargent made a reference to Sister Patricia's book, "Fabianism in the Life of Great Britain," and named the author. "I didn't know they used their last name."

Sargent: "That is her full name. Her full name appears on the book and that is who she is."

A little further along, Hays said: "You brought in the name of Sister Mary Margaret, and then you pause for emphasis and put in the name of McCarran. I submit to you that ordinarily people in the orders do not use the last name and I wonder if it is on the flyleaf of the book."

Sargent: "It is and I gave you the information about the author and the book. I wanted to make it clear that I was relying on a high-type of research book in the statement I made."

HAYS: "Maybe we ought to subpoena the officials of the Catholic University and find out how high type this is. I happen to know something about the background of the author of that book, how long it took her to get a degree and so forth and even that there was a little pressure used or she would not have it yet."

Reece made a formal protest to the House against Hays' conduct, but the incident was lost in the tumult over the attempt to rebuke and discredit McCarthy.

Sargent has filed a suit in California seeking damages from Hays and a national radio chain for broadcasting statements about him which he held to have been defamatory.

Wash. Post and  
Times Herald

Wash. News

Wash. Star

N. Y. Herald Tribune

N. Y. Mirror

Date: DEC 7 1954

NOT RECORDED  
80 DEC 13 1954

58 DEC 13 1954

# House Group Report Assails Purposes of Foundations

## Perilous Influence On Politics and Education Seen

By Robert K. Walsh

Over the protests of minority members charging "barbaric" investigating methods, a House committee today accused some tax-exempt foundations of operating mainly for tax avoidance and dangerously influencing education, social sciences and political affairs.

It released a 432-page printed report, including minority views, as an aftermath to public hearings that ended abruptly last June amid explosive verbal exchanges between Chairman Reece, Republican, of Tennessee, and Representative Hays, Democrat, of Kentucky.

### Newspapers Assailed

The report, besides asserting that some of the major foundations "directly supported subversion in the true meaning of the term," leveled a blast at various newspapers. It singled out several newspaper publishing companies it said have links with foundations and charged that three papers were especially unfair in reporting or ridiculing the committee investigation. It named the Washington Post and Times-Herald, New York Times and New York Herald Tribune.

The minority report denounced the majority's assertion that some foundations encouraged "socialism and collectivism." It even more vigorously attacked the fairness of the majority findings and the investigating procedures, which it characterized by such terms as "pathological" and "fear sickness."

The majority report, signed by Republican Representatives Reece, Wolcott, of Michigan, and Goodwin, of Massachusetts, urged Congress to continue and intensify an investigation of tax-exempt groups which make grants for educational, scientific and similar purposes. The study, it suggested, should be mostly a research project with few if any public hearings.

### "Housecleaning Urged."

The majority of the five-member special committee emphasized that it favors the existence of legitimate tax-exempt foundations and opposes "any unnecessary extension of Federal regulations." It advised tax-exempt foundations themselves to "clean house." Otherwise, it warned, Congress may be forced to enact tax and other appropriate legislation.

Mr. Goodwin said later he had "strong reservations and dissent from many of the report's findings and conclusions."

The minority statement, signed by Mr. Hays and Representative Gracie Pfost, Democrat, of Idaho, was so vehement in attacking the committee in general and the chairman in particular that Mr. Reece used four printed pages in reply. He asserted that Mr. Hays tried to discredit and harass the investigation and impugn the good faith of the majority and the staff almost from the start.

Chairman Reece, declaring that the investigation was not a partisan issue, denied it was slanted as a pre-judgment of big foundations. He contended that

(See FOUNDATIONS, Page A-4.)

Tolson \_\_\_\_\_  
Boardman \_\_\_\_\_  
Nichols \_\_\_\_\_  
Belmont \_\_\_\_\_  
Harbo \_\_\_\_\_  
Mohr \_\_\_\_\_  
Parsons \_\_\_\_\_  
Rosen \_\_\_\_\_  
Tamm \_\_\_\_\_  
Sizoo \_\_\_\_\_  
Winterrowd \_\_\_\_\_  
Tele. Room \_\_\_\_\_  
Holloman \_\_\_\_\_  
Gandy \_\_\_\_\_

*W. B. Baumgardner*  
*5-1/2 Horton*

100-385355-A  
NOT RECORDED  
14 JAN 10 1955

Wash. Post and Times Herald \_\_\_\_\_  
Wash. News \_\_\_\_\_  
Wash. Star *p-1* \_\_\_\_\_  
N. Y. Herald Tribune \_\_\_\_\_  
N. Y. Mirror \_\_\_\_\_

Date: *12/20/54*

*file*  
*100-385355*

*67*  
JAN 11 1955

## Foundations

(Continued From First Page.)

the Ford Foundation and the Carnegie Endowment for International Peace were among several foundations unduly "belligerent" or "intemperate in castigating the committee."

Mr. Hays and Mrs. Pfof said they not only disagreed with the report but believed it never should have been written and published. They called upon Congress to reject and repudiate it.

"The hard truth is," they maintained, "that, by the manner in which the proceedings of the committee were conducted and by the self-evident bias of the majority report, the committee has failed in the most basic way to carry out the mandate of Congress. The results are of no value to Congress and it was, therefore, a complete waste of public money. . . .

"As the matter now stands, the tax-exempt foundations of this Nation have been indicted and convicted under procedures which can only be characterized as barbaric."

### Back Continuing Inquiry.

The minority members agreed that a continued examination of the tax-exempt foundation situation might be desirable. But they insisted that any such investigation should get all the facts and hear all sides so that "the foundations can be relieved of the cloud of suspicion placed upon them by the majority report."

They denounced what they called the majority's "conviction that a continuing investigation be made *sub rosa*." They asserted that the majority report itself was written in a "dark cellar" and that some of the committee staff "tampered with and altered the corrected copy of the hearings."

Majority criticism of the Washington Post and Times-Herald, the New York Herald-Tribune and the New York Times, brought this protest by the minority:

"There is an integral relationship between the majority's refusal to accord the foundations a public hearing and its broadside attack on the press of the Nation. Those who would abuse the rights of the individual fear the press and rail against the right of the press to report the facts and criticize wrongdoing."

### Foundations Unheard

Public hearings ended last summer before spokesmen for the major foundations had an opportunity to be heard. Most of them later submitted lengthy statements which were considered by the committee and published at the time.

"The foundations touched by the hearings were thus given a fair opportunity to put their best foot forward at the same time that they escaped the embarrassment of cross-examination," the majority said.

Noting what it described as "the extraordinary criticism" that has greeted the committee's work, the majority report asserted that the far-reaching power of the large foundations and the "interlock" among them has so influenced the press and radio and even the Government, that:

"It has become extremely difficult for objective criticism of foundation practices to get into news channels without having first been distorted, slanted, discredited and at times ridiculed. Nothing short of a congressional investigation could hope to bring out the vital facts, and the pressure against congressional investigations has been almost incredible."

### Cite Sulzberger "Link."

As examples of what it regarded as "links" between some big foundations and some newspapers, the report mentioned that Arthur Hays Sulzberger, publisher of the New York Times, is on the boards of the Rockefeller Foundation and others. It said the New York Herald-Tribune was an example of the "use of a foundation to solve the death tax problem and the problem of how to retain control of an enterprise in the hands of the family," through the Reid Foundation.

The majority report said the New York Times has "bowed to no other newspaper in the vindictiveness of its attacks on this committee." It said the Herald-Tribune "leveled quite extraordinarily savage attacks."

Turning to the Eugene and Agnes E. Meyer Foundation, the report said this was an "entirely legitimate use of foundations." It added:

"However, the committee has some doubts in connection with the close relationship of the foundation and the Washington Post Company. . . . In view of this intimate relationship, the in-

Tolson \_\_\_\_\_  
Boardman \_\_\_\_\_  
Nichols \_\_\_\_\_  
Belmont \_\_\_\_\_  
Harbo \_\_\_\_\_  
Mohr \_\_\_\_\_  
Parsons \_\_\_\_\_  
Rosen \_\_\_\_\_  
Tamm \_\_\_\_\_  
Sizoo \_\_\_\_\_  
Winterrowd \_\_\_\_\_  
Tele. Room \_\_\_\_\_  
Holloman \_\_\_\_\_  
Gandy \_\_\_\_\_

Wash. Post and Times Herald \_\_\_\_\_  
Wash. News \_\_\_\_\_  
Wash. Star ✓ P A-4 \_\_\_\_\_  
N. Y. Herald Tribune \_\_\_\_\_  
N. Y. Mirror \_\_\_\_\_

Date: 12/20/54



tensely critical attitude of the Washington Post and Times-Herald appears to be something in the nature of a defense mechanism rather than the unbiased reporting of facts by a newspaper."

#### May Take Over Industry.

Besides discussing in detail the most prominent foundations, the report announced numerous overall findings and recommendations, a summary of which follows:

1. The rapidly increasing birth-rate of foundations occurs more for "tax planning than for charity." The tax-exempt feature may eventually cause a large part of American industry to come into the hands of foundations. The pressure of present high tax rates "now induces the creation of foundations."

2. "The current vice seems to be that some of the great foundations are permitting their funds to be used largely in the promotion of projects politically directed to the left."

3. The public should be "alerted" to the influence of foundations that make grants into the field of the so-called social sciences or other areas in which our basic moral, social, economic and governmental principles can be vitally affected."

4. There is a "highly undesirable concentration of power" in the major foundations. Through interlocking directorates, some have the "characteristics of an intellectual cartel" and can exercise "elements of thought control."

5. Foundation trustees, however, dedicated to the lofty purposes of such organizations, often have "abdicated" their responsibility by letting plans and administration be handled solely by employees and by delegating too much authority to intermediary groups. This has developed a "professional class of administrators of foundation funds intent upon creating and maintaining personal prestige and independence of action and preserving its position and emoluments."

#### Hit Unscientific Research.

6. A "fact-finding mania" has promoted an excess of empirical research in foundation projects. Congress should not dictate methods of research but foundation trustees should be on guard against "supporting unbalanced and unscientific research."

7. Few foundations have directly or indirectly supported communism but some have "supported subversion in the true meaning of the term, the process of undermining some of our vitally protective concepts and principles."

8. The Fund for the Republic, an offshoot of the Ford Foundation, was cited as "an example of the danger that a great foundation may use its public trust funds for political purposes or with political effect."

9. The League for Industrial Democracy and the American Labor Education Service were listed as examples of "political use of foundation funds."

10. The Rockefeller Foundation was severely criticized for financing the Kinsey report on sexual behavior.

11. The Ford Foundation was described as "a good example of the use of a foundation to solve the death-tax problem and at the same time the problem of how to retain control of a great enterprise in the hands of the family," because 90 per cent of the ownership of the Ford Motor Co. was transferred to the Foundation. The committee said there was nothing illegal in such an arrangement. But it cautioned that the use of a foundation in business and estate planning could lead to serious abuse.

Tolson \_\_\_\_\_  
Boardman \_\_\_\_\_  
Nichols \_\_\_\_\_  
Belmont \_\_\_\_\_  
Harbo \_\_\_\_\_  
Mohr \_\_\_\_\_  
Parsons \_\_\_\_\_  
Rosen \_\_\_\_\_  
Tamm \_\_\_\_\_  
Sizoo \_\_\_\_\_  
Winterrowd \_\_\_\_\_  
Tele. Room \_\_\_\_\_  
Holloman \_\_\_\_\_  
Gandy \_\_\_\_\_

Wash. Post and  
Times Herald \_\_\_\_\_

Wash. News \_\_\_\_\_

Wash. Star ✓ P A-4

N. Y. Herald Tribune \_\_\_\_\_

N. Y. Mirror \_\_\_\_\_

Date: 12/20/54

# 4- Attack on Free Inquiry

0-19

Tolson  
Boardman  
Nichols  
Belmont  
Harbo  
Mohr  
Parsons  
Rosen  
Tamm  
Sizoo  
Winterrowd  
Tele. Room  
Holloman  
Gandy

We are confident that Mr. Reece's prejudices are shared by only a small minority in Congress. Indeed, this belief is sustained by his complaint that the House did not give him the support he needed. Now he asks for an additional inquiry, not to be conducted in public. This would mean star-chamber procedure so that the House, which has not adequately supported him, the press, which has been unfair, and the Administration, which has not given him all the records he needs, would not know what Mr. Reece was doing. Instead of bowing to this outrageous demand, the House needs to make it clear that it recognizes the highly meritorious work the foundations are doing in the advancement of science and scholarship and in defense of the old and honored concept of free inquiry.

*S. J. [unclear]*

The report of the Reece Committee on tax-exempt foundations is nothing short of an attack on free inquiry. The committee does not object to foundation grants for science and medicine, but it is foolishly suspicious of any work in the social sciences, which it equates with socialism. It solemnly warns that many foundations oppose American "nationalism," or isolationism; it objects to the fact that some foundations support the United Nations "as the hope of the world"; it cries out against organizations which it says adopt "a generally 'leftist' approach to international problems." It violently opposes experimentation in education or even research into the social and economic problems that afflict the country and the world.

The committee necessarily absolves most of the foundations of directly supporting communism but says that some of the larger foundations (Ford? Carnegie? Rockefeller?) have directly supported "subversion" by "undermining some of our vitally protective concepts and principles." In other words, these organizations have had the effrontery to disagree with Mr. Reece's narrow nationalism and his outmoded political concepts. They have fostered free inquiry into economic, social and political problems while Mr. Reece has inveighed against almost every social, intellectual and political development of the twentieth century. Indeed, it is clear that the Eisenhower program is sheer radicalism in the eyes of Congressman Reece and that he is horror-struck to find many foundations espousing the social and economic principles that animate the President. Perhaps Mr. Reece's assault on the foundations might never have been made if Mr. Eisenhower had not been nominated for the presidency.

We are shocked that Representative Jesse P. Wolcott would sign such a bitter, quarrelsome and vindictive report. Representative Angier L. Goodwin's ambivalent position is also deplorable. He signed the report but indicated that he disagrees with it and will file separate views later. The two other members of the special committee—Representative Wayne L. Hays and Gracie Pfof—are justified in their stricture that the report places "an ugly stain on the majestic record" of the House of Representatives. They point out that some of the statements in the report "are untrue on their face, others are at best half-truths, and the vast majority are misleading." Above all the two dissenters are correct in saying that the voluminous report is the product of men who "do not believe in due process and American fair play."

100-385355-A  
NOT RECORDED  
76 JAN 3 1955

*100-385355*

Wash. Post and Times Herald 12  
Wash. News  
Wash. Star  
N. Y. Herald Tribune  
N. Y. Mirror

58 JAN -4 1955

Date: DEC 20 1954

Tolson ☒ *1/10/55*  
 Boardman ☒  
 Nichols ☒  
 Belmont ☒  
 Harbo ☐  
 Mohr ☐  
 Parsons ☐  
 Rosen ☐  
 Tamm ☐  
 Sizoo ☐  
 Winterrowd ☐  
 Tele. Room ☐  
 Holloman ☒  
 Gandy ☒

*0 Tax Exempt Foundations*

# Pegler The Half-Bricks Which Hays Threw Bounced Off His Dome

By WESTBROOK PEGLER

THE job of sabotage that was done on the Reece Committee's investigation of tax-exempt foundations will bear careful watching after the committee's formal report is published on Dec. 20.

The holiday season will present personal and journalistic distractions, however, so it will be well for those who want to learn the details of the conspiracy to pay attention after they have quit licking their wounds about the second week in January.

Congressman Wayne L. Hays, of Ohio, did the job on the Reece Committee and some of its witnesses, all to the benefit of the foundations, including some which had poignant reasons to try to frustrate and discredit the inquiry.

Hays raised hell with witnesses and with the Republican majority, but his worst mistake, because it was so dramatic, was his abusive attitude toward a witness who cited Sister Margaret Patricia McCarran's scholarly book on Fabianism in Great Britain, the crowning work of studies which won her a degree of Doctor of Philosophy from Catholic University.



THE half-bricks which Hays threw at this witness bounced off his enduring dome and not only smashed up some ecclesiastical stained glass at Catholic U., but scored direct hits on the character and reputation of a nun who is herself a professor of social and political studies at another Catholic institution of higher learning and high repute, the College of the Holy Names, in Oakland, Calif.

As I have hitherto reported, Sister Margaret Patricia is

a daughter of the late Democratic, anti-communist Sen. Pat McCarran, who publicly confessed before he died that he had made a mistake in voting for the United Nations and wished he hadn't.

Hays has said his insulting cracks "reflected no anti-Catholic sentiment on my part," which is a self-serving version subject to dispute and beside the point, anyhow.

Two letters by J. Edgar Hoover support Sister Margaret Patricia's book on British Fabianism. In one, Mr. Hoover wrote that the work reflected "deep understanding" and "a tremendous amount of research."

Hoover said he felt that few persons really understood the impact of the Fabian movement in Britain and the rest of the world.

I HEREWITH offer admission of three mistakes in recent commentaries and corrections thereof.

• I wrote that Mrs. J. Borden Harrimon, the ex-warden of Bedford, N. Y., Reformatory for Women, the durable daisy of the New Deal, was born Florence Jones. I was misled by a typographical vagary of Who's Who in America. Her old man was named Francis William Jones Hurst.

• Alfred Kohlberg, of the American Jewish League Against Communism, did not ask for a list of contributors to one of Arthur J. Goldsmith's letter-head political fronts one day at a luncheon attended by Telford Taylor, the lawyer for Harry Bridges. Mr. Kohlberg asked the names of the candidates who would receive financial support from front. He never got an answer.

• Norman Chandler, publisher of the Los Angeles Morning Times, who prints an afternoon woods-colt foaled by that steady old mare, is not 66 years old but 56. I had no salted peanuts that day and without salted peanuts I can't do arithmetic.

55 JAN 20 1955

SENT DIRECTOR

12-20-54

100-385355-A  
NOT RECORDED  
128 JAN 14 1955

Wash. Post and Times Herald

Wash. News

Wash. Star

N. Y. Herald Tribune

N. Y. Mirror

Date: DEC 20 1954

TAX EXEMPT FOUNDATIONS

Doris Fleeson—

# Situation Fraught With Interest

Reece, as President of Taft Foundation, Has Opportunity  
To Promote His View of Proper Role of Such Groups

Representative Carroll Reece, chairman of a House committee which has just charged tax-exempt foundations with "directly supporting subversion," will shortly have his chance to promote what he views as proper foundation behavior.

Mr. Reece is president of the Taft Foundation, established in memory of the late Senator from Ohio. When he calls its members to order here January 7, he will presumably have in his audience its honorary chairman, President Eisenhower, who enjoys the cordial support of virtually all the important people attacked in the Reece report.

To borrow an old Arno cartoon caption, the situation is fraught with interest.

While members of the Taft Foundation, who include both Republicans and Democrats, are predominantly conservative, few if any share the Reece conviction that the present gradual evolution toward socialism is an "un-American conspiracy by an intellectual cartel." Some of them doubtless would like to slow down that evolution or even halt it, but they realize the American people chose it in free elections. Some voted for it in Congress.

Among those who can be expected to monitor Mr. Reece in his capacity as a founda-

tion president is Charles P. Taft, brother of the late Senator. Charles Taft has been active here in support of the reciprocal trade agreements, another policy anathema to Mr. Reece.

The controversial Reece report came as no surprise to the Capital. In one of the longest careers in Washington—14 House terms, 15th in House seniority—the Congressman has consistently aired similar views in the Congressional Record.

What is surprising is that the Eisenhower leadership gave him a large slice of the taxpayers' money to promote conclusions that were, as it knew better than most people, absolutely foregone. Well-conducted hearings might have justified them, but Mr. Reece did not permit the foundations to present their case and his own witnesses had an obvious bias.

Representative Wayne Hays, ranking Democrat on the committee, added to the confusion with a continuing assault upon Mr. Reece and the Reece witnesses. Mr. Hays has courage and principles, but he lacks control.

The end result is a report which will alarm educational circles and embitter intellectuals. From a political point of view, it represents an attack by a Republican committee,

set up in a Republican Congress, on some of the most influential and generous supporters of the Republican Party and its President.

The House cloakrooms believe that the Reece investigation represents a payoff to him for his vote in the Rules Committee, which has the power of life and death over legislation. Bills are easily blocked in that powerful and conservative committee, not always by direct opposition but by discreet absenteeism.

Speaker Martin and Majority Leader Halleck never could find Mr. Reece, according to the House grapevine, until after they had promised him an authorization and appropriation for his foundation investigation.

The sorriest aspect of it all is that tax-exempt foundations do deserve the spotlight and probably should be regulated in the public interest. Their privileges and powers are very great and they are rapidly growing in numbers and influence. A sober and responsible evaluation with, of course, ample opportunity for the foundations to present their own case would command serious attention by Congress. But with Mr. Reece as with Senator McCarthy, all is superficial emotion and the real problem escapes study.

0-19  
Mr. Tolson  
Mr. Boardman  
Mr. Nichols  
Mr. Belmont  
Mr. Harbo  
Mr. Mohr  
Mr. Parsons  
Mr. Rosen  
Mr. Tamm  
Mr. Sizoo  
Mr. Winterrowd  
Tele. Room  
Mr. Holloman  
Miss Gandy

Burke Gardner

W. E. Stoner

5-WST

100-385355

100-385355-A  
NOT RECORDED  
44 JAN 12 1955

64 JAN 12 1955

Wash. Post and Times Herald

Wash. News

Wash. Star

N. Y. Herald Tribune

N. Y. Mirror

Date: DEC 21 1954



# Reeco Report As An Attack on Ike

**By Marquis Childs**

**THE DEEP SPLIT** in the Republican Party is nowhere better illustrated than in the report of the House committee, headed by Rep. B. Carroll Reece of Tennessee, that investigated the tax-exempt foundations.



## Childs

This may have been, as Chairman Reece insists it was, an objective study of the hazards and abuses inherent in vast accumulations of capital at the disposal of trustees who dispense it for philanthropic and educational purposes. But as it turns out the principal targets for attack are men and newspapers prominently identified with the candidacy of President Eisenhower in 1951 and '52.

One of the two or three principal targets is Paul G. Hoffman and the Ford Foundation he formerly headed. Hoffman took leave of absence from the foundation to work intensively in the Eisenhower pre-convention campaign. Henry Ford II, who created the Ford Foundation, was an active Eisenhower supporter.

THE REPORT, largely the work of a staff named by Reece, quotes an attack by FBI head J. Edgar Hoover on the "pseudo liberal" who can be more destructive than a known Communist "because of the esteem which his cloak of respectability invites." Hoffman, the report suggests, is one of these "pseudo-liberals" and in support of the accusation about the way in which he has used his "cloak of respectability" the report quotes from an article Hoffman wrote for the New York Times. In that article Hoffman referred to the California Senate Un-American Activities Committee as a "highly publicized witch hunt."

The California committee has frequently been under attack for broadcasting wholesale charges of communism and fellow-traveling. Its former chairman, Jack Tenney, in the election campaign in the fall joined the extremists in Southern California and his speeches followed a strong anti-Semitic, anti-racist line.

Another important target in the report is the Rockefeller Foundation. The Rockefellers were ardent backers of Eisenhower and substantial contributors to his cam-

paign. Nelson Rockefeller, Undersecretary of Health, Education and Welfare, has just been designated by the President to be coordinator of various aspects of foreign policy in the White House. In this most responsible position Rockefeller will be close to the President.

Reece was a dedicated follower of the late Sen. Robert A. Taft. According to his friends, he has never overcome the bitterness of his conviction that the nomination was stolen from his hero by the tactics of the Eisenhower followers. In a Taft Administration Reece unquestionably would have held an important Cabinet post. He was chairman of the Republican National Committee for three years—from 1946 to 1949.

REECE'S VIEWPOINT, which is essentially nationalist and isolationist, is shared generally by the senior Republicans in the House. There is little evidence that anything that the President has said or done in his first two years in office has in any way changed their outlook.

To this group it is frustrating, and infuriating that the President should rely on men like Paul Hoffman and Nelson Rockefeller for help in shaping his policies. While Hoffman has no official position, he continues to be a close associate of the President and is frequently an off-the-record visitor at the White House. He was urged recently to consider the post of Ambassador to India but he pleaded the urgency of his own business.

For the bitter-end enemies of the Eisenhower Administration the 432-page report will provide welcome ammunition that can be used over and over again. This is perhaps the most significant point made by the minority report signed by two Democrats, Representatives Wayne L. Hays of Ohio and Gracie Pfof of Idaho:

"It must be remembered that even though the Congress soundly rejects and repudiates the majority report, as it should, the report will stand forever in all its spuriousness as a 'majority report' of facts and the sober conclusions of a majority of the members of a duly constituted committee of the House of Representatives of the United States and will be quoted by every fear peddler in the Nation as incontrovertible fact."

The report is, of course, only technically a "majority report," since while a third Republican, Rep. Angier L. Goodwin of Massachusetts, signed it, he later repudiated the conclusions it contains. But technicalities will not stand in the way of those who want to use this ready-at-hand ammunition.

Mr. Tolson \_\_\_\_\_

Mr. Boardman \_\_\_\_\_

Mr. Nichols \_\_\_\_\_

Mr. Belmont \_\_\_\_\_

Mr. Harbo \_\_\_\_\_

Mr. Mohr \_\_\_\_\_

Mr. Parsons \_\_\_\_\_

Mr. Rosen \_\_\_\_\_

Mr. Tamm \_\_\_\_\_

Mr. Sizoo \_\_\_\_\_

Mr. Winterrowd \_\_\_\_\_

Tele. Room \_\_\_\_\_

Mr. Holloman \_\_\_\_\_

Miss Gandy \_\_\_\_\_

~~CONFIDENTIAL~~

5-10-1910

100-386355-A-  
NOT RECORDED -  
128 JAN 14 1955

Wash. Post and  
Times Herald

## Wash. News

**Wash. Star**

N. Y. Herald Tribune

**N. Y. Mirror**

Date: DEC 22 1954

64 JAN 20 1955

~~SENT DIRECTOR~~  
~~12-11-54~~

Mr. Tolson \_\_\_\_\_  
 Mr. Boardman \_\_\_\_\_  
 Mr. Nichols \_\_\_\_\_  
 Mr. Belmont \_\_\_\_\_  
 Mr. Harbo \_\_\_\_\_  
 Mr. Mohr \_\_\_\_\_  
 Mr. Parsons \_\_\_\_\_  
 Mr. Rosen \_\_\_\_\_  
 Mr. Tamm \_\_\_\_\_  
 Mr. Sizoo \_\_\_\_\_  
 Mr. Winterrowd \_\_\_\_\_  
 Tele. Room \_\_\_\_\_  
 Mr. Holloman \_\_\_\_\_  
 Miss Gandy \_\_\_\_\_

# Pegler

## The Monsters Are Too Big; We Must Put Them in Chains

By WESTBROOK PEGLER

THE fact that tax-exempt foundations are allowed to spend their tax-exempt American income on "projects" in India, the Near East and other sovereignties outside the United States should excite the people of this nation to wild alarm over our subjugation by Money Power. The same power is held and exercised by some of the individual big unions and, of course, by the AFL and CIO, as aggregations of unions.

I may be very sorry for some scabby fanatic in diapers, squatting in a wallow in Injer's sunny clime, and write a check for \$100 to buy him soap, dungarees, a toothbrush and a strip of 50 tickets for the local bathtub; but if so, I have to pay income tax on the money in the United States and thus may raise the cost of my generous impulse by as much as 100 per cent.

My private generosity, even to my own dependants, are taxable beyond certain purely nominal limits. Gifts of money to parties or sovereignties overseas are not deductible at all.

But a foundation or union can scatter millions on futile wistfulness, providing, by the way, soft jobs and interesting travel for professional parasites of a craft who increase in numbers and arrogance. The income which provides this money is excused from taxes.

FORD has a "foundation" of \$300,000,000 and a little change-pocket "fund" of \$15,000,000 with which to manifest his abundant love of the human race—and advertise an excellent, competitive automobile business. Dubinsky



has a treasury of \$160,000,000 from which, we are reliably given to suspect he apports undeclared bundles of money to maintain a state department of his own in many foreign lands.

Who the devil are these people that they think they have a special mission to civilize the heathen, plant groves of olive trees and citrus, slap together pretty villages, and build colleges for millions of strangers far away, thus relieving them of their taxes and their governments of that expense, all at our expense?

The Ford Foundation is not the Government of the United States. Neither is the New York Herald Tribune, another notable beneficiary of such tax-exemption. Neither is the Garment Workers' Union. And, if it comes to that, the very Government of the United States, itself, has no legal right, but only a power illegally assumed, to tax George Spelvin, American, to the end that the income tax of the Man in the Street of Hartlepool, Marseilles or Tel Aviv may be diminished and his calories increased.

THERE is a mass of money and a mass of power in these foundations greater by far than any irresponsible aggregation of alert, aggressive private money and power in the history of finance. This great thing grew up unsuspected.

The big foundations in the first place were philanthropic in the sweet understanding of that word. Now they are politically aggressive and operated to a major degree by Reds and fellow-travelers, and they have used "education," once a legitimate function of the philanthropic funds, to discredit the American Constitution and impair the firmness of our sovereignty.

These monsters are too big, too rich, too arrogant and will destroy our rights and absorb our Government unless we put them in chains right away.

Wash. Post and  
Times Herald

Wash. News

Wash. Star

N. Y. Herald Tribune

N. Y. Mirror

Date: DEC 22 1954

file  
100-385355  
100-385355-17  
NOT RECORDED  
44 JAN 11 1955

20 JAN 11 1955

TAX. Exempt Foundation

- Mr. Tolson
- Mr. Boardman
- Mr. Nichols
- Mr. Belmont
- Mr. Harbo
- Mr. Mohr
- Mr. Parsons
- Mr. Rosen
- Mr. Tamm
- Mr. Sizoo
- Mr. Winterrowd
- Tele. Room
- Mr. Holloman
- Miss Gandy

Sam B. B...

J. T. ...

11

# A Party Divided

By Marquis Childs



Washington.

The deep split in the Republican party is nowhere better illustrated than in the report of the House committee, headed by Rep. Reece of Tennessee, that investigated the tax-exemption foundations.

This may have been, as Chairman Reece insists it was, an objective study of the hazards and abuses inherent in vast accumulations of capital at the disposal of trustees who dispense it for philanthropic and educational purposes. But as it turns out the principal targets for attack are men and newspapers prominently identified with the candidacy of President Eisenhower in 1951 and '52.

One of the two or three principal targets is Paul G. Hoffman and the Ford Foundation he formerly headed. Hoffman took leave of absence from the foundation to work intensively in the Eisenhower pre-convention campaign. Henry Ford II, who created the Ford Foundation, was an active Eisenhower supporter.



J. EDGAR HOOVER

The report, largely the work of a staff named by Reece, quotes an attack by FBI head J. Edgar Hoover on the "pseudo-liberal" who can be more destructive than a known Communist "because of the esteem which his cloak of respectability invites." Hoffman, the report suggests, is one of these "pseudo-liberals." It cites as evidence an article in which Hoffman criticized the California Un-American Activities Committee.

The California committee has frequently been under attack for broadcasting wholesale charges of communism and fellow-traveling. Its former chairman, Jack Tenney, in the election campaign in the fall joined the extremists in Southern California and his speeches followed a strong anti-Semitic, anti-racist line.

CLIPPING FROM THE  
N.Y. POST

DATED DEC 23 1954

FORWARDED BY N.Y. DIVISION

60 JAN 25 1955

NOT RECORDED

16 JAN 21 1955

7th Star Final file  
100-385353-385355

Another important target in the report is the Rockefeller Foundation. The Rockefellers were ardent backers of Eisenhower and substantial contributors to his campaign. Nelson Rockefeller, Under Secretary of the Department of Health, Education and Welfare, has just been designated by the President to be co-ordinator of various aspects of foreign policy in the White House. In this most responsible position Rockefeller will be close to the President.

Reece was a dedicated follower of the late Senator Robert A. Taft. According to his friends, he has never overcome the bitterness of his conviction that the nomination was stolen from his hero. In a Taft administration Reece unquestionably would have held an important Cabinet post.

Repeatedly in the Reece report the foundations are charged with promoting "globalism" which is never specifically defined. But from passing references this "globalism" is, by implication at least, equivalent to the Eisenhower foreign policy.

Reece's viewpoint, which is essentially nationalist and isolationist, is shared generally by the senior Republicans in the House. There is little evidence that anything that the President has said or done in his first two years in office has in any way changed their outlook.

To this group it is frustrating and infuriating that the President should rely on men like Paul Hoffman and Nelson Rockefeller for help in shaping his policies.



Mr. Tolson \_\_\_\_\_  
 Mr. Boardman \_\_\_\_\_  
 Mr. Nichols \_\_\_\_\_  
 Mr. Belmont \_\_\_\_\_  
 Mr. Harbo \_\_\_\_\_  
 Mr. Mohr \_\_\_\_\_  
 Mr. Parsons \_\_\_\_\_  
 Mr. Rosen \_\_\_\_\_  
 Mr. Tamm \_\_\_\_\_  
 Mr. Sizoo \_\_\_\_\_  
 Mr. Winterrowd \_\_\_\_\_  
 Tele. Room \_\_\_\_\_  
 Mr. Holloman \_\_\_\_\_  
 Miss Gandy \_\_\_\_\_

*Wester*  
*Thomson*

Tax Free Foundations

*B. J. Gardner*

(FOUNDATIONS)

NEW YORK--THE AMERICAN CIVIL LIBERTIES UNION HAS CALLED FOR A CONGRESSIONAL INVESTIGATION OF PROCEDURES EMPLOYED BY A SPECIAL HOUSE COMMITTEE THAT ACCUSED TAX-EXEMPT FOUNDATIONS OF PROMOTING SUBVERSION.

THE ACLU CHARGED THAT THE COMMITTEE'S REPORT, ISSUED LAST SUNDAY, "APPEARS TO HAVE BEEN CONCEIVED IN IGNORANCE, BIAS AND MALEVOLENCE."

THE SPECIAL COMMITTEE, HEADED BY REP. B. CARROLL REECE (R-TENN.), REPORTED THAT THE ROCKEFELLER, FORD, CARNEGIE AND OTHER FOUNDATIONS WERE PROMOTING SUBVERSION.

THE COMMITTEE HELD PUBLIC HEARINGS LAST JUNE. THE ACLU POINTED OUT THE COMMITTEE CALLED ONLY WITNESSES OPPOSED TO THE FOUNDATIONS, ENDING ITS INQUIRY BEFORE ANSWERING TESTIMONY WHICH WAS OFFERED BY FOUNDATION SPOKESMEN.

THE ACLU PROTESTED THE COMMITTEE'S PROCEDURE AND REPORT IN A LETTER FROM ITS EXECUTIVE DIRECTOR, PATRICK M. MALIN, TO HOUSE SPEAKER JOSEPH W. MARTIN (R-MASS.) AND MINORITY LEADER SAM RAYBURN (D-TEX.), ASKING THAT THE NEXT SESSION OF CONGRESS STUDY THE COMMITTEE'S INVESTIGATION.

MALIN SAID THE ACLU BELIEVED THE COMMITTEE'S PROCEDURE AND REPORT "HAVE SERIOUSLY INFRINGED UPON THE RIGHT OF AMERICAN INTELLECTUAL LEADERSHIP TO THAT FREEDOM OF BELIEF AND EXPRESSION WHICH IS A VITAL ELEMENT IN RESEARCH."

"THE ACLU . . . CANNOT REFRAIN FROM EXPRESSING ITS BELIEF THAT THIS REPORT HAS IMPAIRED THE DIGNITY OF THE HOUSE OF REPRESENTATIVES," MALIN SAID. "THE THREAT OF GOVERNMENTAL ASSAULT, PUNISHMENT AND CONTROL HAS BEEN DIRECTED AGAINST IDEAS WHICH HAPPENED TO BE DISLIKED BY CERTAIN CONGRESSMEN."

12/23--GE10A

*file*  
*100-385355*

*100-385355-A*

NOT RECORDED  
133 JAN 6 1955

58 JAN -6 1955 WASHINGTON CITY NEWS SERVICE

# TAX EXEMPT FOUNDATIONS!

## These Days . . . . . By George Sokolsky

### Quarantine



Sokolsky

THE WORD, QUARANTINE, is used to cut off a person or a place from contact with others. Usually the function of quarantining lies with a Government agency. When persons join together for such a purpose, they are most often snobs who prefer not to associate with their inferiors or they enter upon a conspiracy to boycott the quarantined person.

In the New Leader, a Socialist paper, appeared an article by Oliver Pilat concerning Westbrook Pegler, a columnist whom some hate. This little essay is not to be a defense of Pegler but an objection to conformity. Pilat writes:

"Starting around 1950, sophisticates began to dismiss Westbrook Pegler as a faded menace. His stuff was old hat, they said. He was losing his grip, physically and perhaps mentally. Certainly, he was losing circulation and influence. He could therefore be disregarded.

"The only trouble with this modified form of quarantine was that it didn't work. Pegler lost some papers, but he gained others . . ."

THE QUESTION that arises is, who are these "sophisticates" who in 1950 began to dismiss Pegler? Did they attend a meeting? Did they telephone to each other? Did they start a whispering campaign? By what means did they operate "this modified form of quarantine?"

I refer this matter to the Civil Liberties Union for investigation and to the Fund for the Republic, which is spending 15 million dollars of Henry Ford's money to discover who interferes with civil liberties in this country.

The Fund for the Republic of the Ford Foundation now has a team in Hollywood going about from office to office to discover a black list in the motion picture industry. There is a black list which prevents from working those who testified before congressional committees against Communists. When the management of some of these motion picture companies are asked why active anti-Communists worked until they testified and ceased to work after they testified, the answer usually is that they want too much money, which is an alibi.

FOR INSTANCE, Martin Berkeley, a writer, worked all the time and earned high pay when he was an active Communist. Then he went to the FBI and the congressional

committee to tell all, providing a long list of names of his colleagues in the Communist movement. He has since been "quarantined," and only gets work under unusual and extraordinary circumstances.

Perhaps the Fund for the Republic will use its 15 million dollars to discover who boycotted Berkeley and how it was done. If they want to know why Charlie Chaplin's last picture grossed so little as to be a financial flop, they can find that out, too. To be fair, they should study both cases and report on both. It would provide an interesting study of the operations of the Black List against Communists and against anti-Communists.

It may have been a slip of the pen, this use of the word, quarantine, but those who oppose the pressure for conformity in a free society, pressure from one side or another, must be shocked by it. Is there no longer to be free debate in this country?

(Copyright, 1955, King Features Syndicate, Inc.)

Mr. Tolson ☒  
Mr. Boardman ☒  
Mr. Nichols ☒  
Mr. Belmont ☒  
Mr. Harbo ☒  
Mr. Mohr ☒  
Mr. Parsons ☒  
Mr. Rosen ☒  
Mr. Tamm ☒  
Mr. Sizoo ☒  
Mr. Winterrowd ☒  
Tele. Room ☒  
Mr. Holloman ☒  
Miss Gandy ☒

NOT RECORDED  
46 JAN 3 1955

Wash. Post and Times Herald 9

Wash. News       

Wash. Star       

N. Y. Herald Tribune       

N. Y. Mirror       

Date: JAN 3 1955

100-385355

100-385355-A  
NOT RECORDED  
44 JAN 11 1955

60 JAN 11 1955

# These Days . . . . . By George Sokolsky

## Eye on the Foundations



Sokolsky

THE HEARINGS of Part I of the tax-exempt foundations by the Reece committee consists of 934 pages; the report of the committee fills 432 pages of hard reading. Nobody can possibly read all the hearings and the full report in a few hours and then write a comprehensive article on what this committee heard and did and proposes.

This much must be said: granting that the Rockefeller and Carnegie Foundations here and there erred, particularly in grants to such organizations as the Institute of Pacific Relations, the amount of good they have done in the world is beyond calculation. Rockefeller money in medical research and education and Carnegie money in education have provided benefits to the human race far beyond measurement in dollars. This goes back to the beginning of this century, under the leadership of Drs. Abraham and Simon Flexner and Alexis Carrel and a host of others who devoted themselves to the obliteration of disease and the prolongation of human life. This work continues to the present moment and any study of the foundations which ignores it is inadequate.

THE SAME cannot be said of the Ford Foundation, which

has devoted itself to politics—that is to current questions that have a present political implication. If Rockefeller and Carnegie grants to individuals and organizations work out that way, it is incidental to important projects of permanent value. When the Ford Foundation matures and rids itself of opportunism, it too may use its funds for less temporary values. In fact, the only justification for freeing foundations from the burdens of taxation which the rest of us have to carry is that the work they do is of permanent social value.

The study of the foundation, as an institution, ought not to be based solely on errors of judgment or faulty operations, but also upon the value of a reserve of private capital to be used for the public advantage. Were it not for the legal institution of the foundation, many businesses and private fortunes would be dissipated by punitive tax laws and their proceeds would have gone down the drain in the profligate and often pointless expenditures of Government bureaucrats.

IF THERE is a peril to the Nation in the existence of foundations, it is in the failure of the Treasury Department, which has supervision over them to the extent that it can withdraw from them tax exemptions, adequately to supervise their expenditures. For instance, expenditures directly or indirectly for political advan-

tage cannot be included in any statement of justifiable tax exemptions, but when foundations contribute to hospitals, schools, colleges and churches, no one can quarrel with them. It is not understandable how the Fund for the Republic comes within this category.

An excellent example of how foundations get into trouble by expending funds for current problems is in the quarrel between the Carnegie Foundation and the American Bar Association over the Genocide Convention. The Carnegie Foundation gave the American Bar Association a grant to study genocide, a very vexed problem. What the American Bar Association did about this displeased the Carnegie Foundation.

This controversy was, in many respects, silly and a negation of the independence of scholarship. Apparently, the American Bar Association did not receive a grant to study the problem of genocide but a subvention to favor the Carnegie Foundation's views on the subject. This could produce an unwholesome conformity and orthodoxy in this country.

Copyright, 1955,  
King Features Syndicate, Inc.

Mr. Tolson \_\_\_\_\_  
Mr. Boardman \_\_\_\_\_  
Mr. Nichols \_\_\_\_\_  
Mr. Belmont \_\_\_\_\_  
Mr. Harbo \_\_\_\_\_  
Mr. Mohr \_\_\_\_\_  
Mr. Parsons \_\_\_\_\_  
Mr. Rosen \_\_\_\_\_  
Mr. Tamm \_\_\_\_\_  
Mr. Sizoo \_\_\_\_\_  
Mr. Winterrowd \_\_\_\_\_  
Tele. Room \_\_\_\_\_  
Mr. Holloman \_\_\_\_\_  
Miss Gandy \_\_\_\_\_

*file*

100-385355- A  
NOT RECORDED  
117 JAN 19 1955

Wash. Post and Times Herald

Wash. News

Wash. Star

N. Y. Herald Tribune

N. Y. Mirror

Date: JAN 12 1955

287  
50 JAN 19 1955

# Foundations Probe a Fraud That Succeeded, Hutchins Says

By the Associated Press

Robert M. Hutchins, president of the Fund for the Republic, Inc., says that an investigation by a House committee of tax-exempt foundations was a "fraud"—but a successful one.

The majority opinion of the special House committee, labeling giant, tax-free foundations an "intellectual cartel" promoting socialism, has frightened the foundations away from research in fields that are controversial or unpopular, Dr. Hutchins said.

He told the National Press Club yesterday that the committee report signed by Representative Reece, of Tennessee, and two other Republican members was intended to exploit "public concern about communism and subversion to further political ambition and to work off political grudges."

"Congressman Reece was scoffed at," Dr. Hutchins said. "It was agreed that his investigation was a farce."

"I think he had good reason

to be satisfied with himself. I think he won."

"Without firing a single serious shot, without saying a single intelligent word, he accomplished his purpose which was to harass the foundations and to subdue such stirrings of courage, or even of imagination, as could be found in them."

Representative Reece sat at the speaker's table during Dr. Hutchins' address. At its close he applauded, and smilingly shook Dr. Hutchins' hand.

But he remarked to a bystander: "He's pretty hard." Lucian Warren, Press Club president, announced that the club would welcome Mr. Reece as a speaker if he wished to make reply. Mr. Reece told reporters:

"Later I will take advantage of some forum to make a reply."

"Neither my patriotism nor my intellectual integrity are impaired by disassociation from Dr. Hutchins."

Dr. Hutchins, former president

of the University of Chicago, said that his own organization, a non-profit foundation, "has no other ax to grind than support of the traditional liberties of the American people."

The Fund for the Republic works with a \$50 million grant from the Ford Foundation, but is completely independent of it, he said.

The Reece report issued December 20 called the largest foundations an interlocking cartel which promotes a socialism of "far greater menace" than communism.

Mr. Tolson \_\_\_\_\_  
Mr. Boardman \_\_\_\_\_  
Mr. Nichols \_\_\_\_\_  
Mr. Belmont \_\_\_\_\_  
Mr. Harbo \_\_\_\_\_  
Mr. Mohr \_\_\_\_\_  
Mr. Parsons \_\_\_\_\_  
Mr. Rosen \_\_\_\_\_  
Mr. Tamm \_\_\_\_\_  
Mr. Sizoo \_\_\_\_\_  
Mr. Winterrowd \_\_\_\_\_  
Tele. Room \_\_\_\_\_  
Mr. Holloman \_\_\_\_\_  
Miss Gandy \_\_\_\_\_

*Baumgardner*  
*W. Winter*

*5-11-55*

*100-385355*  
*100-385355-A*  
NOT RECORDED  
161 JAN 31 1955

Wash. Post and Times Herald \_\_\_\_\_  
Wash. News \_\_\_\_\_  
Wash. Star *2-10* \_\_\_\_\_  
N. Y. Herald Tribune \_\_\_\_\_  
N. Y. Mirror \_\_\_\_\_

Date: *1-27-55*

*55 FEB 1 1955*



Mr. Tolson ☒  
 Mr. Boardman ☒  
 Mr. Nichols ☒  
 Mr. Belmont ☒  
 Mr. Harbo \_\_\_\_\_  
 Mr. Mohr \_\_\_\_\_  
 Mr. Parsons \_\_\_\_\_  
 Mr. Rosen \_\_\_\_\_  
 Mr. Tamm \_\_\_\_\_  
 Mr. Sizoo \_\_\_\_\_  
 Mr. Winterrowd \_\_\_\_\_  
 Tele. Room \_\_\_\_\_  
 Mr. Holloman \_\_\_\_\_  
 Miss Gandy \_\_\_\_\_

## Speech at Press Club

# Reece Hears Hutchins Blast His Report On Foundations as Scandalous Fraud

By Edward T. Folliard  
 Staff Reporter

Dr. Robert Maynard Hutchins, noted educator and president of the Fund for the Republic, came to town yesterday to answer a charge that big foundations bearing such names as Ford, Rockefeller and Carnegie are promoting "socialism" and "subversion."

He gave his answer at a National Press Club luncheon, with his chief target, Rep. B. Carroll Reece (R-Tenn.), sitting at the head table, five chairs away.

He said bluntly, but with some scholarly trimmings, that Reece's report on the foundations was "scandalous" and a "fraud."

Reece was chairman of the Special House Committee to Investigate Tax-Exempt Foundations, which divided three ways in the report it made public last December.

Dr. Hutchins, whose Fund for the Republic was set up with a treasury of 15 million dollars by the Ford Foundation, was primarily concerned about statements of Reece and Rep. Jesse P. Wolcott (R-Mich.), that the foundations were guilty of "leftist" tendencies.

When Dr. Hutchins finished his classic roasting of Reece and Wolcott, Reece walked up to him and offered his hand. He said he had been in politics 34 years and had learned not to be disturbed by what

people said about him. Later, however, Reece accused Dr. Hutchins of being at heart a "book-burner."

"He treated the report with anger and acrimony," Reece said of Hutchins, "indicating that he was afraid of the results of its being widely read, thereby associating himself with the spirit of the book-burners."

Dr. Hutchins, now 56 and former president of the University of Chicago, did not know Reece was going to be at the luncheon.

His audience, which included Supreme Court Justices Felix Frankfurter and William O. Douglas, burst into laughter. See HUTCHINS, Page 13, Col. 6

INDEXED-49

EX-128

100-385353-A

NOT RECORDED

10 FEB 18 1955

Wash. Post and Times Herald

Wash. News

Wash. Star

N. Y. Herald Tribune

N. Y. Mirror

Date: JAN 27 1955

FEB 7 1955

# Reece Hears Hutchins Blast His Report On Foundations as Scandalous Fraud

**HUTCHINS—Fr. Pg. 1**

when he got around to talking about "the temper of the times."

"The newer orthodoxy is an odd thing," Dr. Hutchins said. "For example, it requires us to be against McCarthy, but not too soon or too much, not in such a way as to arouse too much animosity in too many of those who might have a different opinion."

"If, for example, we say that rumor and gossip are an inadequate basis on which to condemn a man or a group, we are told that of course we are right, but that in this case the rumor and gossip are so widely believed that people would think bad thoughts of us if we insisted on proof."

"So it comes to this: we must ourselves adopt an un-American attitude because if we don't we may be regarded as un-American by those who

have an admittedly un-American attitude. We are all dedicated to the great American tradition; but the battlecry of the Republic is, what will people say?"

Dr. Hutchins said he could not regard Reece's report as having anything more than symbolic or symptomatic importance.

"Its wild and squalid presentation," he said, "affords a picture of the state of our culture that is most depressing. Its aims and methods are another example of the exploitation of public concern about communism and subversion to further political ambition and to work off political grudges."

"We may as well state it plainly: the Reece investigation in its inception and execution was a fraud. Nobody in his right mind could suppose that the great accumulations of wealth left by our richest men were being intentionally used by their trustees to overthrow the institutions of this country."

"Hence the Reece Committee had to take another tack: the trustees were said to be so busy that they had to leave the foundations to officers who were often quite disreputable. Though this relieved the men of wealth and standing of the charge of being knaves, it did so only at the expense of charging them with being fools. Only fools could be so careless as to allow enormous sums entrusted to them for charitable purpose to be stolen away and lavished on the subversion of their country."

Dr. Hutchins, after telling how the Fund for the Republic is helping investigations of the Federal employe security program and of discrimination against individuals and racial groups, said it was "a kind of anti-absurdity fund, a fund to remind us that we can't have things both ways."

"We can't brag about the Bill of Rights," he said, "and

talk about Fifth Amendment Communists. We can't say that every man has a right to face his accusers and go on using what the Denver Post has called 'faceless informers.' We can't proclaim our devotion to due process of law and then deny it to people we don't like."

Among others at the Press Club head table yesterday was Rep. Wayne L. Hayes (D-Ohio). He, with Rep. Gracie Pfof (D-Idaho), submitted a minority report on the foundations charging that the Reece-Wolcott report was "shocking" and "barbaric."

# Reece, in Reply to Dr. Hutchins, Says Foundations Aid Socialism

## Charges Action of Some Are 'Subversive' —Asserts an 'Intellectual Cartel' Is Influencing Public Opinion

Special to The New York Times.

WASHINGTON, Feb. 23—Rep-resentative B. Carroll Reece charged today that the funds of great philanthropical and educa-tional foundations had been used to introduce Fabian socialism into the United States. This, he said, was "subversive."

The Tennessee Republican was chairman of a special House committee in the Eighty-third Congress that investigated tax-exempt foundations.

The report of that committee was assailed by Dr. Robert May-nard Hutchins, head of the Fund for the Republic, in an address to the National Press Club on Jan. 26.

Mr. Reece, accepting an offer of "equal time" made by the Press Club, replied to Dr. Hutch-ins today.

The report of the Reece com-mittee charged some tax-exempt foundations with "directly sup-porting subversion." Dr. Hutch-ins called this a "wild and squalid presentation."

He said that the committee had indulged in "new wrinkles to the distortions that we have be-come accustomed to in Congres-sional investigations."

### Sees 'Intellectual Cartel'

Mr. Reece repeated the charge. Dr. Hutchins' comments, he said, were "typical of the vituperation which has been poured on us by professional operators of founda-tions."

The House member asserted that an "intellectual cartel" ex-isted that was using public money to influence academic and public opinion.

"The fact is," he declared, "that the intellectual cartel which they have created sup-presses freedom of thought by expending millions of foundation money under their control to de-termine opinion, academic and public, in the Leftist direction they favor."

Mr. Reece said that millions of Americans "have come to realize that the planning of the social scientist reformers \* \* \* is actually or potentially sub-versive."

He asserted that this was be-cause it sought to introduce Fabian socialism into this coun-try. The word "subversion," ac-cording to Mr. Reece, connoted a process of undermining. He said the "social engineers" were seeking to undermine "our unique system of enterprise of free management and free labor."

Mr. Reece said that the founda-tions were granted tax exemp-tions and for this reason "are public trusts and must be dedi-cated to public purposes."

"The rest of the people," he

said, "must pay heavier taxes, for example, because the Ford family was relieved of estate taxes upon the creation of the Ford Foundation, and because the foundation itself pays no in-come tax on 90 per cent of the profits of the Ford Motor Com-pany it receives in dividends."

The organization headed by Dr. Hutchins is supported by funds supplied by the Ford Foundation.

Mr. Reece declared that Con-gress had the duty of making certain that the funds of the foundations were not diverted to unlawful enterprises "or any enterprise outside of tax exemp-tion privileges."

### Criticizes Democrat

The Reece committee's inves-tigation, he said, was not direct-ed against the foundation "as an institution in American life." He declared it was solely to deter-mine whether they were using their resources for purposes other than those for which they were created.

The conclusion expressed in the majority report of the Reece committee that some founda-tions were using their resources for purposes that were, or could be, subversive was justified by evidence at the hearings, the au-thor of the report declared.

Mr. Reece devoted part of his address to attacking Representa-tive Wayne Hays, Democrat of Ohio. Mr. Hays, who was the ranking minority member of the committee, was present.

Mr. Hays strongly opposed the majority report and was openly critical of the procedures of the committee.

The Reece committee was criticized for closing public hear-ings before giving the major foundations an opportunity to testify. They were permitted to present their case only through written briefs.

Mr. Reece said that Mr. Hays' "marathon interruption of wit-nesses" had convinced other members of the committee that further hearings would be fruit-less. Mr. Hays, he said, had in-terrupted "one highly respected witness" 246 times in 185 min-utes.

### Declines Further Comment

PASADENA, Calif., Feb. 23 (UP)—Dr. Hutchins made this comment today about Mr. Reece's charges:

"Mr. Reece's statement adds nothing to the report of the committee and says nothing that can justify or explain it. Since I have already expressed myself on the subject of the report, I see no reason for further com-ment."

Mr. Tolson	✓
Mr. Boardman	✓
Mr. Nichols	✓
Mr. Belmont	✓
Mr. Harbo	✓
Mr. Mohr	✓
Mr. Parsons	✓
Mr. Rosen	✓
Mr. Tamm	✓
Mr. Sizoo	✓
Mr. Winterrowd	✓
Tele. Room	✓
Mr. Holloman	✓
Miss Gandy	✓

NOT RECORDED  
26 MAR 9 1955

FEB 24 1955

Mr. Tolson	_____
Mr. Boardman	_____
Mr. Nichols	_____
Mr. Belmont	_____
Mr. Harbo	_____
Mr. Mohr	_____
Mr. Parsons	_____
Mr. Rosen	_____
Mr. Tamm	_____
Mr. Sizoo	_____
Mr. Winterrowd	_____
Tele. Room	_____
Mr. Holloman	_____
Miss Gandy	_____

## Hogan Asks Record On Leftist Charities

By CHARLES GRUTZNER

District Attorney Frank S. Hogan has called for the record of last week's legislative committee hearings on charity frauds. After examining it he will decide whether to prosecute officers of organizations who allegedly diverted to Communist purposes money collected ostensibly for worthy causes.

It was learned yesterday that the prosecutor would receive transcripts of testimony and financial data concerning the Civil Rights Congress, American Committee for Protection of the Foreign Born and the Joint Anti-Fascist Refugee Committee.

As another aftermath to the hearings before the Joint Legislative Committee on Charitable and Philanthropic Organizations, contempt proceedings are being prepared.

## HOGAN ASKS DATA ON LEFTIST FUNDS

Continued From Page 1

against at least two persons. The legislative committee, which limited its disclosures at the public hearings to alleged deception in fund-raising by left-wing groups, will next investigate several right-wing groups. Bernard Tompkins, committee counsel, said some such groups had raised funds, ostensibly for civic causes, and diverted them to "hate" campaigns.

But this investigation, and one into alleged dissemination of Communist propaganda in summer camps, will have to wait until the Legislature amends the law that created the committee, and also until it provides additional funds.

A bill has been introduced at Albany to broaden the committee's powers to investigate civic organizations as well as charitable and philanthropic ones. This is because some groups that have sought contributions from the public have contended that they are neither charitable nor philanthropic and thus outside the scope of the legislative inquiry. The committee, having used up the \$25,000 voted it last year, is seeking an additional \$50,000.

The new investigations will not reach the public inquiry stage until after the Legislature adjourns next month. The committee, meanwhile, is seeking legislation to prevent situations such as were described at last week's hearings when Mr. Tompkins charged that the three organizations named above had got more than \$3,500,000 in the name of worthy causes in the last dozen years or so and channeled most of it to Communist purposes.

Mr. Tompkins declined to be sought for.

name those against whom contempt citations would be sought in court. He specified, however, that the committee would "certainly seek to punish any officer who is responsible for the books of an organization and refused to turn them over to us on demand." That description could be applied to Abner Green, executive secretary of the American Committee for Protection of the Foreign Born, and Samuel Barron, who served as national executive secretary of the Civil Rights Congress while William L. Patterson, the permanent executive secretary, was in jail.

### Committee's Need for Funds

How many more contempt proceedings will be brought, Mr. Tompkins indicated, may depend on the Legislature's appropriation. He said several staff members had not been paid, and the committee's legal resources were limited.

Mr. Tompkins will call the District Attorney's attention to one "obvious discrepancy" in the limited records he obtained from the Civil Rights Congress. This was that the books of the national organization carried as total receipts from all chapters \$21,000 for a period in which the New York Chapter alone reported having sent \$57,000 to the national office. He said there were no records available to the committee to show how much twenty or more other chapters had sent to the national office.

State Senator Edward P. Larkin, Republican of Nassau, the committee chairman, said the joint committee had not yet agreed on all the legislation that would be sought.

"We will take our time and act very carefully," he said. "We intend to eliminate some wicked practices, but we will be careful to preserve civil liberties. We do not intend to make it difficult to raise funds for an unpopular cause, but there must be no deception about what the money is for."

*Let City*

CLIPPING FROM THE  
N.Y. TIMES

DATE  
TIME

MAR 11 1955  
DIVISION

67 MAR 10 1955

NOT RECORDED

126 MAR 9 1955

# Hogan May Prosecute Red Fronts Asks Record Of Fund Hearings

By Judith Crist

District Attorney Frank S. Hogan is considering prosecuting for fraud several organizations which allegedly diverted to Communist party uses money collected ostensibly for charitable purposes.

Mr. Hogan's office, it was learned yesterday, has called for the record of three-day public hearings held here last week by the Joint Legislative Committee on Charitable and Philanthropic Organizations.

The hearings at New York County Court House were mainly devoted to testimony about the Civil Rights Congress, the Joint Anti-Fascist Refugee Committee and the American Committee for the Protection of the Foreign Born, all on the Attorney General's list of subversive organizations. The three organizations were said to have collected more than \$3,500,000 in recent years in the name of charitable causes and in defense of civil liberties, but officials of all three refused on grounds of possible self-incrimination to disclose how the money had been spent.

## Contempt Action

The legislative committee itself is preparing contempt proceedings against several witnesses who failed to produce books and records of their organizations on grounds of possible self-incrimination. Former State Senator Bernard Tompkins, committee counsel, declined to name the witnesses, but said that the United States Supreme Court has held that while an individual may plead possible self-incrimination as far as personal records go, as an officer who by virtue of that office is charged with possession of records he must show "a modicum" of good faith by producing those records.

Among those who failed to produce such records under subpoena in the course of the hearings were Abner Green, executive secretary of the American Committee for the Protection of the Foreign Born, and Samuel Barron, who was said to have served as executive officer of the Civil Rights Congress while its

executive secretary, William J. Patterson, was serving a jail term last fall for contempt of court in failing to produce certain C. R. C. records.

Each organization had raised more than \$1,000,000, Mr. Green's from 1940 to the present and the C. R. C. between 1946 and the end of 1953.

The District Attorney, it was learned, is particularly interested in evidence submitted last week that while C. R. C. records show that \$21,000 was contributed to the national organization by its thirty-odd chapters between 1946 and 1953, the New York State chapter's records indicated that it alone had forwarded more than \$57,500 to the national during those seven years.

Sen. Edward P. Larkin, R., Nassau, committee chairman, said the committee was referring its records also to the State Attorney General for possible criminal proceedings.

## Camp Probe

Mr. Tompkins said the committee is asking the Legislature to extend its powers so that it can investigate the operation of summer camps by allegedly subversive groups and public fund-raising by Right-wing hate groups that collect money ostensibly for civic purposes. If the Legislature complies, it is expected that these investigations, with public hearings, will begin early in April.

The committee is asking that the Attorney General, who at present has injunctive powers in acting against organizations that have raised money by fraud, be also empowered to enjoin from fund-raising any organization which fails to give proper accounting of publicly raised funds and any individual against whom a complaint has been upheld.

Mr. Tolson ☒  
Mr. Boardman ☒  
Mr. Nichols ☒  
Mr. Belmont ☒  
Mr. Harbo ☒  
Mr. Mohr ☒  
Mr. Parsons ☒  
Mr. Rosen ☒  
Mr. Tamm ☒  
Mr. Sizoo ☒  
Mr. Winterrowd ☒  
Tele. Room ☒  
Mr. Holloman ☒  
Miss Gandy ☒

BAUMGARDNER

100-385355-A

NOT RECORDED  
126 MAR 9 1955

5-WET

Post and  
Times Herald

Wash. News

Wash. Star

N. Y. Herald Tribune

N. Y. Mirror

Date: MAR 1 1955

67 MAR 10 1955



Mr. Tolson	
Mr. Boardman	
Mr. Nichols	
Mr. Belmont	
Mr. Harbo	
Mr. Mohr	
Mr. Parsons	
Mr. Rosen	
Mr. Tamm	
Mr. Sizoo	
Mr. Winterrowd	
Tele. Room	
Mr. Holloman	
Miss Gandy	

BAUMGARDNER

3/2/55

ST. Washington

The [unclear]

# C. LYN FOX

CALIFORNIA FACT AND COMMENT

## Bay Jurist's Ruling Against Loyalty Oath For Churches

THE FINDING of Alameda Superior Court Judge James R. Agee that California's requirement that churches must sign a loyalty oath before being entitled to tax exemption on church property violates the United States Constitution deals with one of the most hotly contested state issues of recent years.



JAMES AGEE

This requirement was made a part of the state constitution by substantial vote of the people in 1952 and since has been vigorously approved by the Legislature.

Judge Agee finds this state constitutional provision contrary to the First Amendment of the U. S. Constitution which guarantees free speech.

Just how he managed to tie the two items together is not clear to us. Whether his interpretation of this subject is correct remains, of course, for higher courts to decide.

It always has puzzled us, however, that so many people who consider themselves good, patriotic citizens oppose efforts to curb the activities of subversive groups when they, themselves, are involved.

CHURCH LEADERS active in this anti-anti-Communist move are not unique in their attitude.

Many of California's leading attorneys also opposed loyalty oaths for members of their profession.

Lawyer members of the Legislature who voted for loyalty oaths for state employees and other groups waxed eloquent in opposing similar oaths for members of the California Bar.

Religious leaders, in our opinion, should be the first to favor any common-sense attempt to curb communism, because communism is the blood-enemy of all religions. The Red cult denies God and all things pertaining to Him.

The state law in question was adopted by the people and implemented by the Legislature in an honest effort to prevent a tax subsidy to subversive groups.

THE TROUBLE with the religious leaders who oppose this attempt to curb those who would destroy us and them, we think, is their apparent inability to view matters objectively.

They seem to feel that any law including them is a slap in the face and discriminatory.

We suggest to these ministers that they stop feeling offended and take a new and objective look at this effort to curb the Reds in our midst.

As the sage, Bernard Baruch, commented the other day at the Congressional Committee hearing on New York Reds:

"Any person who hasn't got anything to fear can answer anything. A man or woman in the United States has nothing to fear except guilt."

THE CALL BULLETIN  
San Francisco, Calif.  
August 24, 1955  
Editorial page  
Page 30 Col. 1

file 4/100-385355

SEARCHED	INDEXED
SERIALIZED	FILED
AUG 25 1955	
FBI - SAN FRANCISCO	

SENT DIRECTOR
8-30-55

58 SEP 16 1955

NOT RECORDED  
126 SEP 16 1955

100-385-355-A

Mr. Tolson \_\_\_\_\_  
 Mr. Boardman \_\_\_\_\_  
 Mr. Nichols \_\_\_\_\_  
 Mr. Belmont \_\_\_\_\_  
 Mr. Harbo \_\_\_\_\_  
 Mr. Mohr \_\_\_\_\_  
 Mr. Parsons \_\_\_\_\_  
 Mr. Rosen \_\_\_\_\_  
 Mr. Tamm \_\_\_\_\_  
 Mr. Sizoo \_\_\_\_\_  
 Mr. Winterrowd \_\_\_\_\_  
 Tele. Room \_\_\_\_\_  
 Mr. Holloman \_\_\_\_\_  
 Miss Gandy \_\_\_\_\_  
 LAUMGARDNER

# SENATE UNIT TO HEAR 'LOYALTY' TEST CASES

## A 'Freedom of Speech' Dilemma

By ROGER STUART  
Scripps-Howard Staff Writer

Can churches be required to subscribe to loyalty oaths in order to retain their traditional tax-free status?

Is it right to deny a would-be lawyer admission to the bar if he declines to take a loyalty oath?

These are typical questions soon to be pondered by a Senate sub-committee, it was learned today. The sub-committee was created recently to consider the extent to which the constitutional rights of citizens are being respected and enforced.

The questions are not academic. Marshall MacDuffie, counsel for the

Senate group, said testimony will be received from representatives of 13 churches in California that have protested a no-oath-no-tax-exemption law now in force in that state.

As for the loyalty oath for lawyers, the counsel said that Illinois law requires it. A young man who has been refused admission to the bar there because he wouldn't take the oath is scheduled to testify before the sub-committee next month.

"These problems," Mr. MacDuffie explained, "will be considered in the light of provisions of the Bill of Rights. Does either the California law or the Illinois law violate the constitutional ban against interference with freedom of religion and of speech—which supposedly in-

cludes the right to think as one pleases, as well as the right not to speak?"

"The Senate established this committee for the very reason that such a dilemma does exist today. Every loyal American wants the nation to be secure. But it is beginning to be widely recognized that our form of government itself is endangered if we permit the Constitution to be violated in the name of 'protection against disloyalty.'"

The sub-committee plans seven weeks of public hearings starting Oct. 3.

TAX EXEMPT FUND

Wash. Post and Times Herald \_\_\_\_\_  
 Wash. News 15 \_\_\_\_\_  
 Wash. Star \_\_\_\_\_  
 N. Y. Herald Tribune \_\_\_\_\_  
 N. Y. Mirror \_\_\_\_\_  
 Daily Worker \_\_\_\_\_  
 The Worker \_\_\_\_\_  
 New Leader \_\_\_\_\_

Date SEP 7 1955

100-385355-A  
 NOT RECORDED  
 138 SEP 21 1955

58 SEP 21 1955

# CAPITOL STUFF

By JOHN O'DONNELL

Washington, Aug. 30.—Last winter the House committee to investigate tax exempt foundations handed in a restrained majority report which warned the heads of these multi-billion dollar outfits that if they didn't "clean house" the next Congress will be forced "to consider legislation to curb their grave abuses" in the administration of the funds entrusted to their care.

If anyone has been inviting the ire of Congress when it meets in January that individual is Robert M. Hutchins onetime head of the University of Chicago ("then the youngest university president in the nation") and now top dog of the Ford Foundation's so-called Fund for the Republic. Hutchins has been asking for a Congressional kick in the pants and this time we think he—and other foundations—are going to get it.

The work of the last House committee, headed by Rep. B. Carroll Reece of Tennessee, was broken up by the shocking exhibitions put on by press agents, lobbyists and innocent fat cats of "liberal persuasion" who responded to the billion-dollar pressure of the foundations.

The foundations, Ford included, were lucky to get off as lightly as they did, but the Reece committee came close to accomplishing an almost impossible task. This was to tell the nation that the incredible was in fact the truth. The incredible fact was that the huge fortunes piled up by our industrial giants in free enterprise America—the Rockefellers, the Carnegies and the Fords, etc.—were now being used to destroy or discredit the very industrial system which gave them birth.

The Reece committee picked up where an earlier Congressional group—the Cox committee—had been cut off by adjournment after only six months work.

But in that brief time, the Cox committee put an accusing finger on a ruling clique in large foundations and scholarly societies which were using the tax exempt billions of dead industrialists to promote collectivism—and world government.

The Cox committee had found:  
(1) as early as 1936 the Kremlin had plotted the infiltration of American foundations; (2) seven important foundations had been infiltrated. Two of these subsequently lost their tax-exemption charters. The Reece committee summarized this work of the Cox committee:

"We know from the evidence that the Communists succeeded in the case of seven foundations: the Marshall Field Foundations, Garland Fund, John Simon Guggenheim Foundation, Heckscher Foundation, Robert Marshall Foundation, Rosenwald Fund and the Phelps Stokes Fund."

Mr. Tolson	
Mr. Boardman	
Mr. Nichols	
Mr. Belmont	
Mr. Harbo	
Mr. Mohr	
Mr. Parsons	
Mr. Rosen	
Mr. Tamm	
Mr. Sizoo	
Mr. Winterrowd	
Tele. Room	
Mr. Holloman	
Miss Gandy	

BAUMGARTNER

CLIPPING FROM THE

N. Y.

NEWS

DATED

AUG 31 1955

FORWARDED BY N. Y. DIVISION

Page 4  
J. Edgar Hoover

5-65

100-385355-A

NOT RECORDED

138 SEP 22 1955

65 SEP 22 1955  
100-385355



**Robert M. Hutchins**  
**Seen inviting ire of Congress**

Now we have \$15 million dollars, originally piled up by old Henry Ford (who thumbed his nose at F. D. R.'s Blue Eagle back in the days of the NRA), being dished out by the Fund for the Republic. The seeming intent is to prove that there never was such a thing in the United States as a definite Communist menace. Furthermore the worthy Hutchins argues that only a "small number" of witnesses ever blew the whistle on Communism, and that anyway Communism is just another political party and it has been "identified with the enemy" in this country only because of guilt by association.

So the Ford fund sends a check for \$285,000 to Prof. Clinton Rossiter of Cornell and a staff to study "what the Communist Party has amounted to" and brace Hutchins' argument that Communists in the United States have come under suspicion "as a danger to the state" and have been dealt with "only by methods which drastically depart from those which have characterized Anglo-American jurisprudence."

### **Conspiracy to Overthrow U.S. Government**

Apparently, Hutchins forgets that the last Congress, by an overwhelming majority of Democrats and Republicans, wrote into the law of the land the declaration: "The Congress hereby finds and declares that the Communist Party of the United States . . . is in fact an instrumentality of a conspiracy to overthrow the government of the United States."

"The peril inherent in its operation arises . . . from its dedication to the proposition that the present constitutional government of the United States must be brought to ruin by any available means, including resort to force and violence. . . Its existence is a clear and present and continuing danger to the security of the United States."

Apparently also Hutchins never read that about Communism in America or read any of the reports of investigations (which cost our FBI armed forces intelligence units, the CIA and committees of Congress millions of dollars) or read the Supreme Court decisions on criminal conspiracy which blast the "guilt by association" whine of the pinkos out of water. But it's nothing new for the worthy doc to be ignorant about Communism. Seems to be a chronic intellectual blind spot where Hutchins is concerned.

### **Got Boxed Into a Spot Under Oath**

A few years back, when Hutchins still was responsible for running the University of Chicago, he got boxed into a spot under oath by a government investigating committee that wanted to find out about Communism in his own back yard—the old college yard that is.

If any distinguished educator ever made a fool of himself when it comes to knowing who is a Communist and what is Communism, Hutchins did just that.

# Tax-Free Organizations Under Scrutiny by U. S.

By the Associated Press

The Internal Revenue Service is examining "at least the more controversial" cases among more than 32,000 organizations it lists as tax-free.

This was learned today from an informed source. But revenue service officials and their Treasury superiors said they could not discuss the matter at this time.

However, it was learned tax officials are giving increasing consideration to the question of what yardstick to apply to an organization with possible political interests when it asks tax exempt status.

Whether this will result in wholesale review of all past exemptions is not yet decided.

## Authority Questioned

Meanwhile, it also was reported that the Justice Department has told the Treasury it should get authority from Congress before carrying out a long-rumored plan to open to public inspection documents filed by organizations to which the Revenue Service grants tax exemption.

The Federal Government accords tax-free status to religious, educational and charitable organizations.

A person familiar with the plan said removing the secrecy curtain from tax exemption applications and tax returns of such organizations would show their aims, backers and details of their finances.

The returns, this source said, would reveal activities of the organizations. Exempt organizations are in most cases required to file returns, although they pay no taxes.

## Privileges Revoked

Treasury officials declined to comment on this report, too.

The internal revenue service recently revoked tax-free privileges involving two controversial organizations—the American Institute of Pacific Relations and For America.

The IPR was investigated by the Senate Internal Security Subcommittee in 1951-2. Afterward the Senate group said in a report the IPR had been infiltrated by Communists and its activities had adversely affected the interests of the United States.

This was denied by officials of the IPR, who describe their organization as a nonpartisan in-

stitution for scholarly research and discussion of far eastern problems.

The revenue service said Oct. 13 it had taken the American IPR from its tax-exempt rolls. The service said the law barred giving any reason for the action. The IPR protested.

The service also recently denied contributors to For America the right to deduct such contributions for income tax purposes. For America describes itself as a nonprofit, nonpolitical and nonpartisan organization dedicated to alerting public opinion to what it considers dangers this country faces. It is headed by Clarence Manion, former dean of the Notre Dame Law School, and by Gen. Robert E. Wood of Chicago.

## 32,400 on List

For America lists among its purposes work for States' rights and "enlightened nationalism" and opposition to communism and "super-internationalism."

The revenue service publishes the names of all organizations enjoying tax-free privileges. The last listing, dated October 31, 1954, contained an estimated 32,400 names. Supplemental lists have added several hundred names.

Tax technicians who discussed what they called "a rapidly growing problem" said the most troublesome question is how to separate "political action" groups, trusts, foundations or other organizations from those which may have an interest in matters of public policy, but are not "actively" trying to influence legislation.

Brig. Gen. Bonner Fellers, retired, For America's Washington representative, disclosed that after the Internal Revenue Service handed down its tax ruling affecting that group, Mr. Manion and Gen. Wood wrote to Secretary of the Treasury Humphrey.

Gen. Fellers said Mr. Manion and Gen. Wood told Mr. Humphrey they had no quarrel with the decision, since it was a matter of interpretation of the law. But they appended a list of 54 other organizations.

## No Answer From Humphrey

Gen. Fellers said in an interview the letter asked why these organizations should be granted tax exemption privileges denied to For America.

He said no answer has yet been received. Treasury officials said they could not discuss the letter.

A copy of the Manion-Wood list, as furnished by Gen. Fellers, included the American IPR.

A check of other revocation actions by the Revenue Service in the past year did not disclose any change in the tax-free status of other organizations named by the For America leaders. These groups included:

The Atlantic Union Committee, Inc., of Washington; American Friends Service Committee, New York; the American Association for United Nations, New York; the American Heritage Council, Chicago; the Yvonneberg Foundation, Philadelphia; Adult Education Association of the United States of America, Chicago.

American Camping Association, Inc., Minneapolis; American Jewish Committee, New York; American Jewish Congress, New York;

American Law Institute, Philadelphia; Anti-Defamation League of B'nai B'rith, New York; Catholic Interracial Council, New York; Committee for Economic Development, Washington; Committee of One Thousand, Inc., Lexington, Ky.; Ford Foundation, Dearborn, Mich.

Freedom House, Inc., New York; Fund for the Republic, Inc., New York; Indiana Society for Prevention of Cruelty to Animals, Inc., Indianapolis; National Education Association of the United States, Washington; Walter Hines Page School of International Relations, Baltimore, and the Southern Education Foundation, Inc., Atlanta.

Mr. Tolson ☒  
Mr. Boardman ☒  
Mr. Nichols ☒  
Mr. Belmont ☒  
Mr. Harbo ☒  
Mr. Mohr ☒  
Mr. Parsons ☒  
Mr. Rosen ☒  
Mr. Tamm ☒  
Mr. Sizoo ☒  
Mr. Winterrowd ☒  
Tele. Room ☒  
Mr. Holloman ☒  
Miss Gandy ☒

*Call  
WPNW  
Bam  
Buckman  
Roth  
Gandy*

INDEXED

Wash. Post and Times Herald  
Wash. News  
Wash. Star **A3**  
N. Y. Herald Tribune  
N. Y. Mirror  
Daily Worker  
The Worker  
New Leader

Date **OCT 27 1955**

NOT RECORDED

26 NOV 8 1955

INDEXED - 70

TAX EXEMPT  
95 NOV 10 1955



# Tax Study Of Exempt Groups On 'Controversial' Cases Examined

WASHINGTON, Oct. 27 (U.P.).—Government tax officials are tightening up their security of organizations which enjoy a tax-free status.

This was disclosed today by technicians in close touch with the Internal Revenue Service, who said the question is how to separate political action groups from those not actively trying to influence legislation.

The law says tax-free status may be granted to religious, educational and charitable organizations whose activities are not substantially involved in "carrying on propaganda, or otherwise attempting to influence legislation."

## 32,400 Groups

At last count, Oct. 31, 1954, there were an estimated 32,400 organizations on the list; several hundred have since been added.

Treasury officials and those of the Revenue Service said they could not discuss the matter at this time. However, an informed source said "at least the more controversial" cases are being examined.

A part of the controversy has been born of complaints that some organizations were getting what amounts to a "subsidy" paid by all taxpayers, while pushing efforts many taxpayers resent.

## Reece Probe

Last year, a House subcommittee headed by Rep. Reece, R., Tenn., conducted a stormy investigation of tax-free foundations. The majority report accused some foundations of using their money to promote socialism—a charge bitterly denied by spokesmen for the foundations.

The Revenue Service said Oct. 13 it had revoked the tax-free status of the American Institute of Pacific Relations, accused by a Senate committee in 1952 of having become infiltrated with Communists. Officials of the institute denied this, saying it was a non-partisan research and discussion organization. The Revenue Service gave no reason for its delisting.

Recently, too, the service denied contributors to For America the right to deduct their contributions for income tax purposes. For America lists among its purposes: work for states' rights and "enlightened nationalism" and opposition to communism and "super-nationalism."

## Letter to Humphrey

For America is headed by Clarence Manion, former dean of the Notre Dame Law School, and Gen. Robert E. Wood, of Chicago. The organization's Washington representative, Brig. Gen. Bonner Fellers, retired, said that after this action by the service Mr. Manion and Gen. Wood wrote to Secretary of the Treasury George M. Humphrey. They told Secretary Humphrey, Gen. Fellers said, that they had no quarrel with the decision to end "For America's tax

exemption privilege, but asked why fifty-four other organizations, which they listed, be permitted to enjoy it. Gen. Fellers said no answer has been received. Treasury officials said they couldn't discuss the matter.

Among better known groups on the list offered by Mr. Manion and Gen. Wood were:

The Atlantic Union Committee, Inc., of Washington; American Friends Service Committee, New York; the American Association for the United Nations, New York; the American Heritage Council, Chicago; American Jewish Congress, New York; the Catholic Interracial Council, New York; Committee for Economic Development, Washington; the Ford Foundation, Dearborn, Mich., and the Fund for the Republic, New York.

It was also reported today that the Justice Department, has told the Treasury that it should get authority from Congress before it carries out any plan for permitting public inspection of the documents filed by organizations granted tax-free status. A source familiar with the public inspection plan which has long been rumored, said it would show what activities these organizations carry out.

Mr. Tolson \_\_\_\_\_  
Mr. Boardman \_\_\_\_\_  
Mr. Nichols \_\_\_\_\_  
Mr. Belmont \_\_\_\_\_  
Mr. Harbo \_\_\_\_\_  
Mr. Mohr \_\_\_\_\_  
Mr. Parsons \_\_\_\_\_  
Mr. Rosen \_\_\_\_\_  
Mr. Tamm \_\_\_\_\_  
Mr. Sizoo \_\_\_\_\_  
Mr. Winterrowd \_\_\_\_\_  
Tele. Room \_\_\_\_\_  
Mr. Holloman \_\_\_\_\_  
Miss Gandy \_\_\_\_\_

Wash. Post and Times Herald \_\_\_\_\_  
Wash. News \_\_\_\_\_  
Wash. Star \_\_\_\_\_  
N. Y. Herald Tribune \_\_\_\_\_  
N. Y. Mirror \_\_\_\_\_  
Daily Worker \_\_\_\_\_  
The Worker \_\_\_\_\_  
New Leader \_\_\_\_\_

Date OCT 28 1955

NOT RECORDED

126 NOV 8 1955

NOV 8 1955

0 TAX EXEMPT. FOUNDATIONS

# Law Is Favored to Make Foundation Data Public

WASHINGTON, Nov. 9 (AP).—The Treasury Department announced today it will seek legislation next year to give the public more information about controversial tax-exempt foundations.

Treasury Under Secretary H. Chapman Rose told a House Government Operations subcommittee that the proposed legislation would "permit applications for tax-exempt status to be opened to inspection by the public."

Such tax-exempt organizations as the Rockefeller, Ford and Carnegie Foundations have come under Congressional fire from time to time. A special House committee, headed by Rep. B. Carroll Reece, R., Tenn., reported a year ago that some such groups were promoting subversion.

## Serve Public

Mr. Rose said Treasury Secretary George M. Humphrey believes that since "the basic reason for exempting these organizations from tax is that they serve a public rather than a private purpose, it is entirely proper that their applications for tax-exempt status be available for public inspection."

Mr. Rose said the Justice Department had advised the Treasury that "Congressional action specifically allowing public inspection of applications of tax-exempt foundations is desirable to remove any doubt concerning the authority for such action."

A Treasury official told reporters the legislation would be

limited to applications for tax-exempt status. He said it would not permit public access to the tax returns of 30,000 non-profit organizations which now pay no tax.

Meanwhile, the House subcommittee, which is investigating alleged government suppression of news, ordered its staff to check Civil Service Commission assertions that it no longer

maintains a security file on Congressmen and their wives.

The commission, which agreed to drop the practice after a 194 Congressional inquiry, said flatly that it no longer keeps such files. But the subcommittee chairman, Rep. John E. Moss Jr., D., Calif., ordered the staff to look into the matter.

The issue was raised by Rep. Clare E. Hoffman, R., Mich., who investigated the practice in 1947. He said the commission then had 750,000 cards covering alleged subversive activities on the part of many prominent persons, including Congressmen and even the late Henry Ford.

Mr. Tolson

Mr. Boardman

Mr. Nichols

Mr. Belmont

Mr. Harbo

Mr. Mohr

Mr. Parsons

Mr. Rosen

Mr. Tamm

Mr. Sizoo

Mr. Winterrowd

Tele. Room

Mr. Holloman

Miss Gandy

100-385355-A  
NOT RECORDED  
126 NOV 16 1955

Wash. Post and Times Herald

Wash. News

Wash. Star

N. Y. Herald Tribune

N. Y. Mirror

Daily Worker

The Worker

New Leader

Date NOV 10 1955

66 NOV 17 1955

100-385255

# U. S. WOULD RAISE TAX EXEMPT VEIL

Treasury Will Seek Law for  
Public Inspection of Bids  
by Nonprofit Groups

Special to The New York Times.

WASHINGTON, Nov. 9—The Treasury Department will ask Congress to pass a bill permitting public inspection of applications for tax exemption filed by nonprofit organizations.

Under Secretary H. Chapman Rose revealed this today in testifying before the House Information subcommittee. It marked the first step in relaxing secrecy since the subcommittee began an investigation of alleged abuses this week.

Mr. Rose denied that the decision had in any way been prompted by the subcommittee. He said that George M. Humphrey, Secretary of the Treasury, had been considering the move "for some time."

David W. Kendall, general counsel of the Treasury, said the legislation would be limited to applications only and would not permit the public to have access to returns paid by 30,000 tax exempt organizations.

## Refer to President's Letter

Abe McGregor Goff, solicitor of the Post Office Department, told the subcommittee that his department did not release its records to persons seeking a "vicarious thrill." But he said any bona fide request for information would be honored, provided it fell within "common sense regulations."

As did spokesmen for sixteen other departments and agencies, Mr. Goff said his department had justified withholding some information by using a letter from President Eisenhower to Charles E. Wilson, Secretary of Defense, dated May 17, 1954. The letter prohibited John Adams, then Army counsel, from testifying at the Army-McCarthy hearings on certain matters within the Executive departments.

The subcommittee, a division of the House Government Appropriation Committee, has criticized the use of this letter by other departments.

Representative L. Dawson, Democrat of Illinois, reminded Mr. Goff that department heads were not to assume that they could withhold information from Congress unless the President had given them specific instructions to that effect.

When the subcommittee wanted to know why some foreign publication had been delayed in entering this country, Mr. Goff said they came under provisions of the Foreign Agents Registration Act. He said the State Department had asked him "within the past two weeks" not to discuss the act during the current Big Four foreign ministers' conference in Geneva. The subcom-

Mr. Tyson	_____
Mr. Boardman	_____
Mr. Nichols	_____
Mr. Belmont	_____
Mr. Harbo	_____
Mr. Mohr	_____
Mr. Parsons	_____
Mr. Rosen	_____
Mr. Tamm	_____
Mr. Sizoo	_____
Mr. Winterrowd	_____
Tele. Room	_____
Mr. Holloman	_____
Miss Gandy	_____

BAUMGARDNER

IN THE DIGEST

*C*  
*Tax Exempt Foundation*

*File 100-385355*

NOT RECORDED  
91 NOV 25 1955

N. Y. TIMES

NOV 10 1955

71 NOV 29 1955

7-11

10-11

11-11

12-11  
13-11

14-11

15-11  
16-11  
17-11  
18-11  
19-11  
20-11  
21-11  
22-11  
23-11  
24-11  
25-11  
26-11  
27-11  
28-11  
29-11  
30-11  
31-11

# THE FOUNDATIONS

## How to Spend Money to Save Money

**THE** Ford Foundation's allocation of \$500 million in charitable grants to education and medicine climaxed a year in which U.S. charitable foundations handed out or committed almost \$1 billion, a record total nearly doubling the 1954 figure. The prime reason for all this lavish giving was that high taxes make generosity an inexpensive proposition. The effect of taxes on charity was succinctly explained by New York Welfare Commissioner Henry L. McCarthy: "You have to spend money to save money." One of the best ways to do both, as an increasing number of businessmen and corporations are finding out, is to set up a charitable foundation or trust.

In the first decade of the 20th century, only 16 foundations were set up. Since then, as income and inheritance taxes have climbed, the number of foundations has soared to 7,300, estimates the American Foundations Information Service. Not only is the number increasing at the rate of 200 foundations a year, but the makeup has greatly changed. Of the 260 foundations born between 1900-29, 50% had assets of more than \$1,000,000 or were able to give grants of more than \$50,000 a year. Of those formed in the 1950s, 80% have had assets of less than \$1,000,000. Hundreds of small businessmen and small companies have entered a field once dominated by tycoons and corporate giants.

The legal requirements for setting up a foundation are simple. To get a tax exemption from the Internal Revenue Service, a foundation must be incorporated under state laws or federal charter, must be administered by trustees and must have charitable purposes. The purposes can be broad or narrow. The Carnegie Corporation has the broad purpose of promoting "the advancement and diffusion of knowledge." The Esso Education Foundation, set up last year, follows a new business trend of giving aid to schools. But some foundations have such narrow purposes that the trustees have trouble spending the money. A Boston hospital was given a fund to provide wooden legs for Civil War veterans; another philanthropist left \$2,000,000 to care for the daughters of men killed while working on the Pennsylvania Railroad.

While handing money out to daughters of the Pennsy and others in need, foundations pay back their founders in many ways. A foundation not only gives its donor an outlet for generosity but saves him much of the annoyance of being solicited by a multitude of

charities. It also helps him slide into a lower tax bracket. An individual may deduct up to 20% of his taxable income for payments into a foundation; a corporation may deduct 5%. In some cases, the saving in taxes almost equals the cost of philanthropy. A foundation can also be used, as was the Ford Foundation, to help a family retain control of a company, or to promote a pet idea, e.g., the Odlum-Cochran Foundation spends some of its money on psychic research, a hobby of financier Floyd Odlum's wife. From a businessman's point of view, probably the most important byproduct of a foundation is the good will created for a company.

It is not even necessary to set up a foundation to reap benefits from the foundation idea. Some businessmen set up charitable trusts, which are small brothers to foundations, and easier to establish. A trust need not be incorporated, yet enjoys the same tax-free status as foundations.

In the tax-spurred rush to squeeze savings out of foundations and trusts, some companies and individuals have worked out some ingenious gimmicks. In the 1940s, Textron's President Roy Little had his charitable trust borrow money to buy a textile mill, which it then sold to Textron; in this way, the company used the trust's mountain of capital to better its credit position. Numbers of companies sold their plants to foundations, then rented them back. Since the foundation's income was tax-exempt, it charged extremely low rentals. Other foundations paid a big share of assets in officers' salaries. One ended a year with \$501 in assets and a record of \$39,370 in expenditures, \$11,000 of which went to the trustees. In 1959, Congress put a stop to most of these border-line schemes.

In 1954, when Congressman B. Carroll Reece headed a probe into foundation activities, he found comparatively little illegality. All told, the Reece Committee estimated the total assets of foundations at \$7.5 billion—and still growing fast. As foundations become bigger business, there will probably be more Reece Committees and more federal regulation. Many of the big foundations, anxious to keep their business respected, favor tighter controls. The Rockefeller Foundation, said President Dean Rusk to the Reece Committee, wants "full publicity for foundation activities and an increase in the manpower of the Internal Revenue Service to enable it to watch these activities more closely."

share for its 1,361,541 outstanding shares.

Atlantic Refining Co., 13th largest U.S. oil company, will take over all Houston's gas and oil properties (leases on 696,638 acres of oil lands), a daily output of 17,000 bbls. of oil, another 450 million cu. ft. of natural gas, plus the Houston Pipe Line Co., which feeds natural gas into Gulf cities through a 715-mile pipeline. TIME Inc. owns 11% of Houston Oil's stock and is joint owner with Houston of the East Texas Pulp and Paper Co. TIME is negotiating to buy 100% of the East Texas Co., which operates a \$33 million pulp-and-paper mill (sulphate pulp and paperboard), and Houston's Southwestern Settlement and Development Corp., which owns 585,000 acres of timberland to supply the mill.

## MINING

### Life in the Desert

Two years ago the San Pedro Valley desert east of Arizona's Santa Catalina Mountains was inhabited by little more than coyotes and cactus. But after Magma Copper Co. proved up the nation's biggest copper deposit beneath the San Pedro Valley floor, the face of the desert changed. Earth movers terraced the rimrock into 1,500 homesites, bulldozers crunched over thousands of acres to carve out winding avenues, parks, shopping centers, a community swimming pool for the new town of San Manuel (TIME COLOR PAGES, July 25). To house Magma's workers, Builder Del Webb put house construction on a 29-day foundation-to-finish schedule, moved in ten new families daily. Working three shifts, seven days a week, some 2,500 construction workers fitted together a \$43 million ore-crushing mill and smelter. Across the rugged hills more workers laid out a 4,200-ft. landing strip, a new highway, a 30-mile, \$7,500,000 railroad to the Southern Pacific's spur at Hayden. Last week, six months ahead of schedule, the first trickle of molten copper came out of the huge San Manuel smelter.

When San Manuel hits full production, perhaps by midsummer, it will process 30,000 tons of ore daily and yield 70,000 tons of copper yearly, plus 3,000 tons of molybdenum as a byproduct. Thus Magma, which has only one other smelter (at Superior, Ariz.), will boost its total copper production to almost 100,000 tons yearly, jump from sixth to third place among U.S. producers (after Kennecott and Phelps Dodge). At peak production San Manuel will expand U.S. copper output by 8%, molybdenum by 16%.

To get San Manuel into operation, the Government gave Magma a strong helping hand: a \$94 million loan from the RFC, fast tax write-offs on plant and railroad, and a price prop at 24¢ a lb. With copper now selling at 43¢ a lb., Magma's rough-and-ready President Wesley P. Goss had plenty of reason to fire up San Manuel ahead of schedule. Says he: "When you have more than \$100 million tied up, you are interested in getting into production as quickly as possible and getting some of those dollars back."





# THE FOUNDATIONS

## How to Spend Money to Save Money

**T**HE Ford Foundation's allocation of \$500 million in charitable grants to education and medicine climaxed a year in which U.S. charitable foundations handed out or committed almost \$1 billion, a record total nearly doubling the 1954 figure. The prime reason for all this lavish giving was that high taxes make generosity an inexpensive proposition. The effect of taxes on charity was succinctly explained by New York Welfare Commissioner Henry L. McCarthy: "You have to spend money to save money." One of the best ways to do both, as an increasing number of businessmen and corporations are finding out, is to set up a charitable foundation or trust.

In the first decade of the 20th century, only 16 foundations were set up. Since then, as income and inheritance taxes have climbed, the number of foundations has soared to 7,300, estimates the American Foundations Information Service. Not only is the number increasing at the rate of 200 foundations a year, but the makeup has greatly changed. Of the 260 foundations born between 1900-29, 50% had assets of more than \$1,000,000 or were able to give grants of more than \$50,000 a year. Of those formed in the 1930s, 80% have had assets of less than \$1,000,000. Hundreds of small businessmen and small companies have entered a field once dominated by tycoons and corporate giants.

The legal requirements for setting up a foundation are simple. To get a tax exemption from the Internal Revenue Service, a foundation must be incorporated under state laws or federal charter, must be administered by trustees and must have charitable purposes. The purposes can be broad or narrow. The Carnegie Corporation has the broad purpose of promoting "the advancement and diffusion of knowledge." The Esso Education Foundation, set up last year, follows a new business trend of giving aid to schools. But some foundations have such narrow purposes that the trustees have trouble spending the money. A Boston hospital was given a fund to provide wooden legs for Civil War veterans; another philanthropist left \$2,000,000 to care for the daughters of men killed while working on the Pennsylvania Railroad.

While handing money out to daughters of the Pennsy and others in need, foundations pay back their founders in many ways. A foundation not only gives its donor an outlet for generosity but saves him much of the annoyance of being solicited by a multitude of

charities. It also helps him slide into a lower tax bracket. An individual may deduct up to 20% of his taxable income for payments into a foundation; a corporation may deduct 5%. In some cases, the saving in taxes almost equals the cost of philanthropy. A foundation can also be used, as was the Ford Foundation, to help a family retain control of a company, or to promote a pet idea, e.g., the Odlum-Cochran Foundation spends some of its money on psychic research, a hobby of financier Floyd Odlum's wife. From a businessman's point of view, probably the most important byproduct of a foundation is the good will created for a company.

It is not even necessary to set up a foundation to reap benefits from the foundation idea. Some businessmen set up charitable trusts, which are small brothers to foundations, and easier to establish. A trust need not be incorporated, yet enjoys the same tax-free status as foundations.

In the tax-spurred rush to squeeze savings out of foundations and trusts, some companies and individuals have worked out some ingenious gimmicks. In the 1940s, Textron's President Royal Little had his charitable trust borrow money to buy a textile mill, which it then sold to Textron; in this way, the company used the trust's mountain of capital to better its credit position. Numbers of companies sold their plants to foundations, then rented them back. Since the foundation's income was tax-exempt, it charged extremely low rentals. Other foundations paid a big share of assets in officers' salaries. One ended a year with \$501 in assets and a record of \$39,370 in expenditures, \$11,000 of which went to the trustees. In 1950, Congress put a stop to most of these border-line schemes.

In 1954, when Congressman B. Carroll Reece headed a probe into foundation activities, he found comparatively little illegality. All told, the Reece Committee estimated the total assets of foundations at \$7.5 billion—and still growing fast. As foundations become bigger business, there will probably be more Reece Committees and more federal regulation. Many of the big foundations, anxious to keep their business respected, favor tighter controls. The Rockefeller Foundation, said President Dean Rusk to the Reece Committee, wants "full publicity for foundation activities and an increase in the manpower of the Internal Revenue Service to enable it to watch these activities more closely."

share for its 1,361,541 outstanding shares.

Atlantic Refining Co., 13th largest U.S. oil company, will take over all Houston's gas and oil properties (leases on 696,638 acres of oil lands), a daily output of 17,000 bbls. of oil, another 450 million cu. ft. of natural gas, plus the Houston Pipe Line Co., which feeds natural gas into Gulf cities through a 715-mile pipeline. TIME Inc. owns 11% of Houston Oil's stock and is joint owner with Houston of the East Texas Pulp and Paper Co. TIME is negotiating to buy 100% of the East Texas Co., which operates a \$33 million pulp-and-paper mill (sulphate pulp and paperboard), and Houston's Southwestern Settlement and Development Corp., which owns 585,000 acres of timberland to supply the mill.

## MINING

### Life in the Desert

Two years ago the San Pedro Valley desert east of Arizona's Santa Catalina Mountains was inhabited by little more than coyotes and cactus. But after Magma Copper Co. proved up the nation's biggest copper deposit beneath the San Pedro Valley floor, the face of the desert changed. Earth movers terraced the rim-rock into 1,500 homesites, bulldozers crunched over thousands of acres to carve out winding avenues, parks, shopping centers, a community swimming pool for the new town of San Manuel (TIME COLOR PAGES, July 25). To house Magma's workers, Builder Del Webb put house construction on a 29-day foundation-to-finish schedule, moved in ten new families daily. Working three shifts, seven days a week, some 2,500 construction workers fitted together a \$43 million ore-crushing mill and smelter. Across the rugged hills more workers laid out a 4,200-ft. landing strip, a new highway, a 30-mile, \$7,500,000 railroad to the Southern Pacific's spur at Hayden. Last week, six months ahead of schedule, the first trickle of molten copper came out of the huge San Manuel smelter.

When San Manuel hits full production, perhaps by midsummer, it will process 30,000 tons of ore daily and yield 70,000 tons of copper yearly, plus 3,000 tons of molybdenum as a byproduct. Thus Magma, which has only one other smelter (at Superior, Ariz.), will boost its total copper production to almost 100,000 tons yearly, jump from sixth to third place among U.S. producers (after Kennecott and Phelps Dodge). At peak production San Manuel will expand U.S. copper output by 8%, molybdenum by 16%.

To get San Manuel into operation, the Government gave Magma a strong helping hand: a \$94 million loan from the RFC, fast tax write-offs on plant and railroad, and a price prop at 24¢ a lb. With copper now selling at 43¢ a lb., Magma's rough-and-ready President Wesley P. Goss had plenty of reason to fire up San Manuel ahead of schedule. Says he: "When you have more than \$100 million tied up, you are interested in getting into production as quickly as possible and getting some of those dollars back."

Mr. Tolson \_\_\_\_\_  
 Mr. Nichols \_\_\_\_\_  
 Mr. Boardman \_\_\_\_\_  
 Mr. Belmont \_\_\_\_\_  
 Mr. Mason \_\_\_\_\_  
 Mr. Mohr \_\_\_\_\_  
 Mr. Parsons \_\_\_\_\_  
 Mr. Rosen \_\_\_\_\_  
 Mr. Tamm \_\_\_\_\_  
 Mr. Nease \_\_\_\_\_  
 Mr. Winterrowd \_\_\_\_\_  
 Tele. Room \_\_\_\_\_  
 Mr. Holloman \_\_\_\_\_  
 Miss Gandy \_\_\_\_\_

G. I. R. 10

(RELEASE AT 12 NOON)

(REECE)

COLUMBUS, O.--REP. B. CARROLL REECE SAID THE GOVERNMENT MAY CLAMP  
 DOWN ON SOME TAX-EXEMPT FOUNDATIONS UNLESS THEY GET RID OF ALLEGEDLY  
 "LEFTIST" ADVISERS AND EMPLOYEES.

THE TENNESSEE REPUBLICAN SAID "TWO WELL-KNOWN FOUNDATIONS" WHICH HE  
 DIDN'T IDENTIFY HAVE "HAD THEIR TAX-EXEMPT STATUS LIFTED BY THE TREASURY  
 BECAUSE OF COMMUNIST SUBVERSION."

"AND I UNDERSTAND THE FUND FOR THE REPUBLIC IS NOW UNDER  
 INVESTIGATION," HE ADDED.

REECE ATTACKED THE FORD, ROCKEFELLER AND CARNEGIE FOUNDATIONS AS "THE  
 TREASURY OF THE RADICAL MOVEMENT" IN THE U.S.

THE FORD FOUNDATION-FINANCED FUND FOR THE REPUBLIC IS HEADED BY DR.  
 ROBERT M. HUTCHINGS, FORMER PRESIDENT OF THE UNIVERSITY OF CHICAGO.

THE TREASURY DEPARTMENT REFUSED TO COMMENT ON REECE'S STATEMENTS  
 WHICH WERE CONTAINED IN A SPEECH PREPARED FOR DELIVERY BEFORE THE  
 ASSOCIATION OF AMERICAN PHYSICIANS AND SURGEONS, INC.

REECE SAID INDUSTRIALISTS WHO ARE ON THE BOARD OF FOUNDATIONS BOW "TO  
 THE SUPERIOR UNDERSTANDING OF THE ACADEMIC ADVISER, JUST AS HE WOULD TO  
 HIS DOCTOR OR LAWYER."

"THE SAD FACT IS," HE SAID, "THAT THESE ADVISERS HAVE COME  
 OVERWHELMINGLY FROM THOSE WHO HAVE BEEN POLITICALLY SLANTED TO THE LEFT  
 --AND MANY OF THEM FAR TO THE LEFT."

"ALTHOUGH THE TRUSTEES OF THE GREAT FOUNDATIONS THINK THEY RUN THEIR  
 FOUNDATIONS, EXCEPT IN THE BROADEST SENSE, THEY DO NOT."

4/6--EG 1005A

use file  
 Tax Exempt Foundations  
 100-385355-100-  
 NOT RECORDED  
 17 APR 25 1956  
 99  
 2 APR 26 1956

WASHINGTON CITY NEWS SERVICE

As Pegler Sees It:

# Collegiate Pros Isn't a Solution

By WESTBROOK PEGLER

FATHER ROBERT E. CREWEN, S.J., the president of Le Moyne College at Syracuse, has advocated frank professionalism in college football provided the purposes are to make money for the school; to create prestige through the prowess of the teams and to provide great spectacles for students and alumni.

The alternative is to provide physical education for "as many students as possible."

I cannot understand how the first three objectives would necessarily preclude the alternative because, to the contrary; the college which for more than a half-century have disgraced themselves and degraded the ethical standards of the entire nation by covert professionalism have almost uniformly insisted that they sinned in the good cause of providing equipment and other expensive necessities of mass participation in physical recreation.

However, Father Crewen's proposal has the novel merit of honesty even though his ideas seem to contain the germs of their own frustration.

I suggest this because when a college goes honestly pro, it will be competing with the truly professional pros of organized Sunday football who are so much better that the public will patronize the clumsy antics of the amateur pros too little to produce big profits. The college pros will necessarily still be kids unless we are to assume that Father Crewen would also abolish the academic status of the players and hire mature men for football only, just as George Halas hires talent for his Bears in Chicago.

Possibly the Catholic press account of his remarks, delivered at the Syracuse Press Club, was incomplete, but if Father Crewen did go that far the account chopped him off untimely. And if he did, he would put colleges into competition with private industry which is what organized Sunday pro football is, in which case not only the owners of the Sunday clubs and the owners of the parks but the professional pro players as well would have well established grounds for complaint.

## Tax Exempt Institutions

Colleges, including their stadia, are either supported by public taxes; including taxes paid by these interests or are excused from taxation on the ground that, as educational institutions, they are performing a useful public service. Some schools qualify as both educational and religious institutions.

Jimmy Petrillo's confirmed precedents could be invoked, though probably with only spotty success, by a players' union and even though the collegian pros bought B-class union memberships, the Sunday pros still might show that, like the Saturday night union dance orchestra, these casuals were killing their jobs.

Tolson \_\_\_\_\_  
Nichols \_\_\_\_\_  
Boardman \_\_\_\_\_  
Belmont \_\_\_\_\_  
Mason \_\_\_\_\_  
Mohr \_\_\_\_\_  
Parsons \_\_\_\_\_  
Rosen \_\_\_\_\_  
Tamm \_\_\_\_\_  
Nease \_\_\_\_\_  
Winterrowd \_\_\_\_\_  
Tele. Room \_\_\_\_\_  
Holloman \_\_\_\_\_  
Gandy \_\_\_\_\_

This leaves us with the spectacle conjured in Father Crewen's imagination.

Does this learned priest not realize that a cheap professional show in the holy atmosphere of college would be a spectacle, to be sure, but of a kind to repel rather than attract alumni and students? Yale's amateurs of today, if amateurs they be, are still the Blue, the Bulldog and the varsity, but a gang of pros playing no better would be frankly despised for their contrast with the Giants.

The only way to cure this nasty little blotch on the honor of education and purify the ethics which it imparts to its subjects is to adopt absolute amateurism.

N. Y. Journal 21  
American \_\_\_\_\_  
N. Y. Times \_\_\_\_\_  
Wash. Post and \_\_\_\_\_  
Times Herald \_\_\_\_\_  
Wash. News \_\_\_\_\_  
Wash. Star \_\_\_\_\_  
N. Y. Herald \_\_\_\_\_  
Tribune \_\_\_\_\_  
N. Y. Mirror \_\_\_\_\_  
N. Y. Daily News \_\_\_\_\_  
Daily Worker \_\_\_\_\_  
The Worker \_\_\_\_\_  
New Leader \_\_\_\_\_

Date JAN 8 1957

INDEXED - 84

NOT RECORDED

117 JAN 17 1957

## Reid Fund Is Offering 6 Fellowships for 1958

Six fellowships carrying grants of \$5,000 each for study abroad during 1958 were offered American newspaper men and women by the Reid Foundation at the annual meeting of the board of directors.

Applicants are required to have completed five years of experience on daily newspapers or press associations in the United States and must regard journalism as a continuing career. They must be sponsored by the leading executives of both editorial and business departments of the employing newspapers.

Also required are a summary of their journalistic and educational background and a clear statement outlining their reasons for wanting to study a given nation or area. Choice of work in Europe, South and Central America, the Far East. Near East or Africa is offered. Applications will be received until Oct. 1.

### Six Persons Now Abroad

Six fellowships were granted last year. Individuals now abroad are Hendrik J. Berns, of "The Miami (Fla.) Herald," in South America; David R. Bowers, of "The Idaho State Journal," Pocatello, Idaho, in Europe; Wilfredo Braschi, of "El Mundo, of Puerto Rico, in Europe; Jane Tyson Hall, of "The News & Observer," Raleigh, N. C., in Europe; William Paul Hills, of "The Watertown (N. Y.) Daily Times," in Western Europe, and Bertram Borgen Johanssen, of "The Christian Science Monitor," Boston, in India.

Directors of the Foundation are Dr. Charles Seymour, former president of Yale University and Mrs. Oveta Culp Hobby, president and editor, "The Houston Post"; officers of the Foundation are Whitelaw Reid, president; Ferdinand Eberstadt, president of F. Eberstadt & Co., vice-president, and John L.

Gray, of the firm of Dewey, Ballantine, Bushby, Palmer and Wood, secretary, and John G. Mearns, treasurer.

### Committee Set Up

Fellows' grants are awarded annually by the fellowship committee. Members of this committee were appointed at the board meeting. They are Wright Bryan, editor of "The Cleveland Plain Dealer"; Erwin D. Canham, editor of "The Christian Science Monitor"; Barry Bingham, publisher of "The Louisville Courier Journal" and "The Louisville Times"; E. Palmer Hoyt, editor of "The Denver Post"; Basil L. Walters, executive editor of "The Chicago Daily News"; Joseph Pulitzer jr., editor and publisher of "The St. Louis Post-Dispatch"; Kenneth MacDonald, editor of "The Des Moines Register" and "The Des Moines Tribune"; Whitelaw Reid, and Wilbur Forrest, chairman.

Application blanks may be obtained by addressing Mr. Forrest, Chairman of the Fellowship Committee, Reid Foundation, 230 W. 41st St., New York 36, N. Y.

Tolson \_\_\_\_\_  
Nichols \_\_\_\_\_  
Boardman \_\_\_\_\_  
Belmont \_\_\_\_\_  
Mohr \_\_\_\_\_  
Parsons \_\_\_\_\_  
Rosen \_\_\_\_\_  
Tamm \_\_\_\_\_  
Trotter \_\_\_\_\_  
Nease \_\_\_\_\_  
Tele. Room \_\_\_\_\_  
Holloman \_\_\_\_\_  
Gandy \_\_\_\_\_

Wash. Post and Times Herald \_\_\_\_\_  
Wash. News \_\_\_\_\_  
Wash. Star \_\_\_\_\_  
N. Y. Herald Tribune 9 \_\_\_\_\_  
N. Y. Journal-American \_\_\_\_\_  
N. Y. Mirror \_\_\_\_\_  
N. Y. Daily News \_\_\_\_\_  
N. Y. Times \_\_\_\_\_  
Daily Worker \_\_\_\_\_  
The Worker \_\_\_\_\_  
New Leader \_\_\_\_\_  
Date APR 30 1957

RECORDED - 65  
EX. - 137

100-385355-A

NOT RECORDED

14 MAY 2 1957

63 MAY 6 1957  
13/6



Tolson ☒  
 Belmont ☒  
 Mohr ☒  
 Nease ☒  
 Parsons ☒  
 Rosen ☒  
 Tamm ☒  
 Trotter ☒  
 W.C. Sullivan ☒  
 Tele. Room ☐  
 Holloman ☐  
 Gandy ☐

## VICTOR RIESEL: FIDEL HELPED STRIKERS

# Castro Vetos Scab Uniforms!

Came the successful revolution and Fidel Castro needed uniforms for his irregularly dressed irregulars.

So the quartermaster of the 26th of July movement placed an order with a Miami firm which makes military and civilian dress.

What the Castro emissaries didn't know was that the company's 100 or so workers, most of them Cubans, had a movement of their own—the 19th of November movement. That's the day they went out on strike against the Donald S. Lavigne Co. The strikers, members of Jack Potofsky's Amalgamated Clothing Workers, with headquarters on Union Sq., were getting nowhere with the company. In fact, they were slapped with an injunction by the Florida courts and couldn't even walk a picket line around the plant.

When word seeped down early in January that Castro had ordered uniforms, the Cuban-American clothing workers were ready to take up arms themselves. They marched to the Cuban consulate in Miami and told the Castro people, "You just put on a revolution and now you're trying to put your army in scab clothing."

Castro heard of their complaints and sent word to Lavigne to settle with the Clothing Workers or there'll be no order. Lavigne settled two days later. And that's the way Fidel Castro helped win an American strike.

**TREASURY MEN ARE** deep in what may become the widest national probe since the 16th Amendment made the U.S. government the junior partner of us all. Agents of the Internal Revenue Service quietly and methodically are checking some 600,000 men and women—all officials and employees of unions across the land.

This is no dragnet. This is no probe of labor. This is no effort to hook the hundreds of thousands of honest citizenry who draw their pay expense accounts from labor organizations. It is one facet of a survey of all tax-exempt organizations. But this steady check in the income tax bureau's 64 districts could eventually

Wash. Post and Times Herald \_\_\_\_\_  
 Wash. News \_\_\_\_\_  
 Wash. Star \_\_\_\_\_  
 N. Y. Herald Tribune \_\_\_\_\_  
 N. Y. Journal-American \_\_\_\_\_  
 N. Y. Mirror 39 \_\_\_\_\_  
 N. Y. Daily News \_\_\_\_\_  
 N. Y. Times \_\_\_\_\_  
 Daily Worker \_\_\_\_\_  
 The Worker \_\_\_\_\_  
 New Leader \_\_\_\_\_

NOT RECORDED

117 JAN 28 1959

Date JAN 18 1959

flush out every single four-flusher making a fast buck out of those unions invaded by the mobs.

Regardless of the union and its reputation, Treasury agents are questioning every expense item going back to January, 1953.

Some of the unions in New York which are being sifted have had their '53 and '54 books checked. This means that most union records will have been gone through for the period preceding the McClellan Committee's smashing exposures—a period in which the hoods had no idea they needed to cover up their records. They all ran for cover towards the end of '56 and the beginning of '57.

Yet there's a long job ahead for the T-men. There are at least 485,000 union officials in some 70,000 locals belonging to almost 200 international unions. But they all will be checked. So will their employees—including the international organizers and executive office help.

**ALL THIS CAME OUT** of the Treasury Dept.'s realization that tax exempt groups had grown like Topsy, but a little turvy, too. There are actually 150,000 tax exempt organizations in the U.S. today. And the Treasury has been receiving an average of 1,000 applications a month for tax exempt status from new outfits springing up all the time.

# These Days . . . . .

## The Tax-Exempt Organizations

By George E. Sokolsky

A-15

TAX exemption is a privilege granted organizations which raise funds for charity, education and similar unprofitable enterprises. (The preferred usage is "non-profit" which begs the question.) The concept is that the income tax is collected on money profits, spiritual profits being unmeasurable.



Sokolsky

At one stage, the mere assertion of intent was sufficient to make an organization or a foundation tax exempt. Today the Treasury is more strict, requiring evidence that the association exists for a good purpose and not to give jobs to its organizers and trustees who evade the tax by taking the profits as salaries and expenses. Furthermore, it is essential that the evidence be clear that the organization, whatever its stated purpose, has not been established as an income tax evasion gimmick, as is so often the case. When a foundation comes into existence which gives evidence that those in control of it, or a number of them, draw off the funds as salaries for themselves, the Treasury is entitled to investigate the bona fides of the operation.

ON THE other hand, the Treasury sometimes makes distinctions which are political in nature and therefore unfair. For instance, it seems

to be that a sharp political distinction is made when the Committee of One Million (Against the Admission of Communist China to the United Nations) is refused tax exemption whereas such exemption is granted to the Institute of Pacific Relations.

The Committee of One Million exists to publish educational material in opposition to the admission of Red China into the United Nations. Its officers include a number of distinguished persons.

On the other hand, in 1955, the Commissioner of Internal Revenue revoked the tax-exempt privilege of the Institute of Pacific Relations, after hearings before the Senate Internal Security Subcommittee, for Communist involvement. On March 31, 1960, the I.P.R.'s tax-exempt privilege was restored. This was done perhaps in the Spirit of Camp David. Will the privilege be revoked now that Camp David has laid its ghost?

IN A word, there seems to be no fixed policy except that the Treasury goes easy on left-wing organizations and is tough on right-wing organizations or vice versa which is equally unjust. If this view is correct, it means the Treasury is using the tax-exempt privilege as a political weapon.

A tax-exempt organization ought to be defined as a charitable or educational body which earns no profit and none of whose officers

and directors (except an executive or administrator) draws a salary or has an expense account.

HERETOFORE every effort by Congress to investigate foundations and tax exemptions has failed largely because the very rich and influential foundations have succeeded in bringing pressure against investigation. Furthermore, many businesses would fall apart if the foundations which hold their stock were subjected to too much scrutiny. The income tax and the inheritance tax do mischief to family businesses and to smaller enterprises. The only way to keep such businesses intact is to leave their stock to a non-profit making foundation which uses the money for good causes if it can find any. The heirs of the founder are usually kept on, working for a substantial salary, on which, of course, they pay income taxes.

The income and inheritance taxes of this country tend toward monopoly. The only way honestly to meet the current tax requirements and to keep some money is to sell out and make a capital gain. Sociologically, this is very bad because it tends to strengthen monopolistic practices. The Department of Justice attempts to balk this process by anti-trust procedures but it has not been successful. One significant result has been the managerial seizure of authority.

Copyright, 1960, King Features Syndicate, Inc.

Tolson ✓  
 Mohr ✓  
 Parsons ✓  
 Belmont ✓  
 Callahan ✓  
 DeLoach ✓  
 Malone ✓  
 McGuire ✓  
 Rosen ✓  
 Tamm ✓  
 Trotter ✓  
 W.C. Sullivan ✓  
 Tele. Room ✓  
 Ingram ✓  
 Gandy ✓

*B. Gardner*  
*W. J. Sullivan*

The Washington Post and Times Herald *A15*  
 The Washington Daily News \_\_\_\_\_  
 The Evening Star \_\_\_\_\_  
 New York Herald Tribune \_\_\_\_\_  
 New York Journal-American \_\_\_\_\_  
 New York Mirror \_\_\_\_\_  
 New York Daily News \_\_\_\_\_  
 New York Post \_\_\_\_\_  
 The New York Times \_\_\_\_\_  
 The Worker \_\_\_\_\_  
 The New Leader \_\_\_\_\_  
 The Wall Street Journal \_\_\_\_\_  
 Date **JUN 13 1960**

*Q Tax Free Foundations*

REC-21

100-385-355-A

EX 109

NOT RECORDED

46 JUN 16 1960

51 JUN 20 1960

Tolson ☒  
 DeLoach ☒  
 Mohr ☒  
 Wick ☒  
 Casper ☒  
 Callahan ☒  
 Conrad ☒  
 Felt ☒  
 Gale ☒  
 Rosen ☒  
 Sullivan ☒  
 Tavel ☒  
 Trotter ☒  
 Tele. Room ☒  
 Holmes ☒  
 Gandy ☒

The Washington Merry-Go-Round

# Tax-Exempt Foundations Probed

By Jack Anderson

Some of the biggest corporations in America are now controlled by tax-exempt foundations that were established not so much to dispense charity as to dodge taxes.

This has been documented in such exhaustive detail by Rep. Wright Patman (D-Tex.) that President Johnson in his economic message last month called upon Congress "to deal with abuses of tax-exempt private foundations."

The most important reform, now taking shape inside the House Ways and Means Committee, would prohibit foundations from owning more than 20 per cent of any business. Patman believes this kind of tax-exempt ownership should be limited more drastically.

The big foundations are eager to block this and other reforms without appearing to do so, for they could lose their tax privileges if they were caught lobbying.

To help them out of their predicament, three Congressmen suddenly have become busy in the Capitol cloakrooms doing the backstage buttonholing that the foundations are prohibited by law from doing.



Anderson

These three helpful fellows are Howard Smith (D-Va.), chairman of the House Rules Committee; H. Allen Smith (R-Calif.), top Republican on the Rules Committee, and James Utt (R-Calif.), third-ranking Republican on the Ways and Means Committee.

All three hold key committee assignments, which put them in a position to throw roadblocks in the way of the proposed reforms. All three also are involved in business deals with tax-exempt foundations—a detail they have neglected to mention to colleagues whose votes they have solicited.

## Hidden Interests

Howard Smith is chairman of the Alexandria National Bank, which is controlled by the International Bank. This, in turn, is controlled by George Olmsted, whose tax-exempt George Olmsted Foundation owns 17 per cent of the common voting stock.

H. Allen Smith has been trying to negotiate a real estate deal with the James Irvine Foundation, which controls a fabulous, 93,000-acre real estate empire in suburban Los Angeles.

In a letter to Mrs. Thurmond Clarke, mother of Joan Irvine Smith, biggest single stockholder in the Irvine property, the Congressman has offered to intervene with the chief counsel in charge of investigating foundations and "do anything I can to assist."

"On another subject," he added with startling candor, "for the past year or two I have been trying to get started at Irvine, maybe building an office building, apartments, or other facilities."

"I simply wanted to mention this because I know that we could build in accordance with the regulations in a very outstanding manner, and if some opportunity opens up, we would certainly be interested."

Congressman Utt is even closer to the same Irvine Foundation, which controls 53 per cent of the voting stock of the Irvine Company. The Utt Development Company, founded by the Congressman's father, happens to be a subsidiary of the Irvine Company.

At a company barbecue several months ago, N. Loyall McLaren, president of the Irvine Foundation, introduced Utt to the 600 guests as "our friend who has come to our aid in Washington without being asked."

Apparently Utt, like the two Smiths, didn't need to be asked.

## Paint Scandal

Tipped off that a bribe had been paid in connection with the painting of the Capitol dome, this column in 1954 dug into the Brotherhood of Painters, Decorators and Paperhangers and printed an expose that led to the conviction of

100-385355-A-6157-A  
 NOT RECORDED  
 191 FEB 24 1966

The Washington Post and Times Herald ☒  
 The Washington Daily News ☒  
 The Evening Star ☒  
 New York Herald Tribune ☒  
 New York Journal-American ☒  
 New York Daily News ☒  
 New York Post ☒  
 The New York Times ☒  
 The Baltimore Sun ☒  
 The Worker ☒  
 The New Leader ☒  
 The Wall Street Journal ☒  
 The National Observer ☒  
 People's World ☒  
 Date ☒

ORIGINAL FILED IN 58-6157-A

69 FEB 25 1966

file  
6-way

FEB 17 1966  
 58-6157-A

Robert Lowry, the local district head.

Ten years later, Lowry's cronies got back in control of the District Council and began clamoring for his reinstatement. L. M. Raftery, the international president, turned them down flatly.

But he was succeeded last year by his son, S. Frank Raftery, who seems to be more benevolent toward union officials convicted of bribery. Though the district bylaws prohibit a felon from holding office, young Raftery ruled that Lowry is eligible to run for his old job.

### Grateful Judge

U.S. District Judge Charles Metzner of New York is a member of the judiciary who doesn't forget old friends.

Back in the early days of the Eisenhower Administration, Metzner served as assistant to Herbert Brownell, then Attorney General. Later Brownell helped Metzner become a Federal judge.

Last month Judge Metzner appointed his old friend and ex-boss, Brownell, as referee in the \$145,000,000 dispute between Trans World Airlines and Howard Hughes. Brownell's chief problem will be to decide how much Hughes owes TWA. He will be entitled to a very handsome fee.

© 1955, McClure Syndicate, Inc.

## The Interests of Foundations<sup>34</sup>

In recent years the great foundations—especially Ford, with its vast resources—have moved from their traditional base of operations to active roles in the shaping of social policy. That shift, on the whole a creative response to racial tensions and other social maladies, has enveloped in both confusion and controversy the foundations' link with the public interest. One result is the criticism voiced by Congressmen and others in the hearings before the House Ways and Means Committee.

The problem is essentially political. Since almost everyone pays income taxes, the burden of exempting the income of the foundations is borne by the public at large. Yet the public is virtually powerless to influence the ways in which the foundations spend their tax-free dollars. Hence the resentment in some circles when the Ford Foundation, for example, finances a voter registration drive in Cleveland or underwrites efforts to decentralize New York's public school system. The question that arises is one of control over the power that money can buy; and the more controversial the project the more insistent the question.

Unfortunately, that question was bypassed by McGeorge Bundy, president of the Ford Foundation, in his recent annual report. There is "little virtue," he argues, in construing tax laws so as "to prevent Congress from hearing the views of the charitable institutions just as it expects to hear from other elements of society." But the foundations, with their accumulations of wealth, are not just another element in society. They are unique by virtue of the power and influence that they exert, and their role is hardly limited to a mere expression of views. The fact of the matter is

that foundations often function as second governments in the shaping of controversial social policies. This has to be recognized in the search for ways to ensure public accountability of tax-free foundations.

Those who would cripple the foundations by subjecting them to taxation or limiting their corporate lives to 25 years are also attempting to evade the central issue. This country needs the innovative force which foundations can provide by exercising a broad, but not unbounded, freedom of action. If governments were capable of imaginative and flexible responses to pressing social problems, the foundations would never have become so embroiled in controversy.

Rather than force their withdrawal from the social arena, the role of the foundation should be circumscribed by informal rules. The cardinal rule is that the foundation should be free to support new social programs, but should resist the temptation to play the role of a shadow government, a behind-the-scenes mover not responsive to the electorate. The mis-casting in which some foundations now indulge could not occur without the acquiescence of Government officials who are willing to use the foundation as a political crutch. But it is the foundations, with the financial leverage of their grants, which must guard against such entanglements.

It would be tragic if the foundations, which have been so alert in exposing the deficiencies of other social institutions, were blind to the need for resolving a problem of their own creation. They can forestall further and more menacing attacks on their freedom of action by establishing a self-enforced operating code, one that draws the admittedly difficult line between constructive participation in the shaping of social policies and obtrusive use of power.

*Tax Exempt  
Foundations*

58 MAR 14 1969

100-385355-14  
NOT RECORDED  
170 MAR 13 1969

*The New York Times*  
3/3/69  
p 34  
File-5-102

100-385355





# GENERAL FEATURES CORPORATION

Times Mirror Square / Los Angeles, California 90053

Mr. Tolson	✓
Mr. DeLoach	✓
Mr. Mohr	✓
Mr. Bishop	✓
Mr. Casper	✓
Mr. Callahan	✓
Mr. Conrad	✓
Mr. Felt	✓
Mr. Gale	✓
Mr. Rosen	✓
Mr. Sullivan	✓
Mr. Tavel	✓
Mr. Trotter	✓
Tele. Room	✓
Miss Holmes	✓
Miss Gandy	✓

RELEASE DATE: Saturday, April 19, 1969, or  
Sunday, April 20, 1969

## YOU PAY TAXES FOUNDATIONS DON'T PAY

by Paul Harvey

It sounds like no skin off your nose when a "foundation" spends a large sum of money chasing moonbeams.

It is.

Foundations do not pay taxes. You and I have to make up the taxes they do not pay. Our taxes are higher because they pay none at all.

Thus, when a foundation is extravagant or wasteful, it is skin off your nose.

Many multimillionaire businessmen set up foundations for the specific purpose of avoiding estate taxes when they die. The William Bentons expect to leave their Britannica shares to a "Benton Foundation."

Mr. Benton concedes, "There has been a hell of a lot of tax-dodging and illegal racketeering by some foundations" but, he says, "that can happen in any field."

A congressional committee considering tax reform has considered taxing foundations, limiting their investments in outside businesses, and so on.

But I've heard nobody demand that these tax-free foundations be required to keep our money at home.

I can't get comprehensive figures on how many billions the tax-free foundations have spent outside the United States in recent years, but assuredly they have contributed considerably toward our uncomfortable gold-dollar imbalance.

Just recently, for example, the Ford Foundation granted more than \$10 million to British schools for management training and for "various European research projects."

-- more --

2cc's Phil 07  
for info 4/29/69  
Note: Pg 2, P1, m  
feds.  
cyl/w

5-cy

54 MAY 21 1969

Los Angeles Times Syndicate--General Features Corp. Division  
Los Angeles, California

Page Two . . . PAUL HARVEY NEWS . . . April 19/20 . . . European research projects."

The Ford Foundation is not spending all its money overseas. That same month, it allocated \$1.3 million to assist minority group businesses. For example, in Philadelphia, two community groups headed by former juvenile gang leaders received more than \$200,000.

I cannot consider such homefront investments wasted. Even though this one mentioned would appear to be a gamble with your money against bad odds, at least this money is going to continue to circulate in the United States.

It is when these foundations scatter their considerable resources overseas, worsening our dollar drain, that they abuse their exemption.

If the foundations are truly interested in humanitarian causes on which to spend money, they don't have to search any further than our own deplorably understaffed hospitals, our own underpaid farmers and overpaid loafers.

Foundations could further relieve government of its burden of payments for scholarships, low or no-interest slum clearance.

Foundations could invest larger sums in researching air and water pollution, noise abatement, traffic congestion.

As is, most foundations do just "enough" of these things to justify their tax exemption while diverting sometimes larger sums to subsidies in other countries.

While there remains chronic neglect of so many homefront problems, foreign involvements and foreign spending--public or private--appear unwise and inappropriate, if not downright immoral.

Copr. T-M 1969, Gen. Fea. Corp.